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Critics Assail Kohl For Ballot Showing

By Henry Tanner

International Herald Tribune

BONN — The disastrous showing by the Christian Democrats in elections in North Rhine-Westphalia is threatening to become the worst political setback Chancellor Helmut Kohl has suffered since taking office in 1982.

Editorialists and politicians across the political spectrum focused on the chancellor's personal responsibility for the battering his party took from the Social Democrats in the ballot Sunday.

Several newspapers predicted that his authority would be increasingly challenged within his own party on issues ranging from basic economic and foreign policy to minor tactical questions and personal style.

Franz Josef Strauss, the Bavarian state premier, a coalition partner and a rival of Mr. Kohl, immediately pointed out that Mr. Kohl had been unable to make his influ-

ence as chancellor felt in the election. Mr. Strauss and other critics noted that the defeated head of the Christian Democratic list, Bernhard Worms, had been selected by Mr. Kohl.

The Social Democrats, led by Joachim Rau, the state premier in North Rhine-Westphalia, won 52.1 percent of the vote and 125 seats in the 227-seat state assembly, a gain of 19. The Christian Democrats obtained 36.5 percent of the vote and 88 seats, a loss of seven. The Free Democrats, unrepresented in the outgoing assembly, won 14 seats.

The leftist Greens won 4.6 percent of the popular vote, short of the 5-percent minimum required for representation.

The Frankfurter Rundschau, a liberal newspaper, called the results "a catastrophic collapse" for the Christian Democrats and "a resounding slap for Mr. Kohl."

Many newspapers, including conservative ones, warned the



Chancellor Helmut Kohl

Cause of U.K. Fire Unknown

Smoke Bombs Thrown Before Blaze, Police Say

Reuters

BRADFORD, England — Smoke bombs were thrown at a soccer stadium here Saturday shortly before fire engulfed a spectator stand and killed at least 53 people, police said Monday.

A spokesman said police still had not determined the cause of the blaze, which broke out in the main wooden grandstand of the Bradford City stadium midway through a professional league match.

John Donnale, assistant chief constable, confirmed reports by witnesses of smoke bombs being thrown. But he said, "I am still not certain as to the cause and I will not speculate."

Government sources said that Home Secretary Leon Brittan would announce an official inquiry into the fire in this town in northern England.

The sources said that the inquiry would encompass safety at soccer grounds and investigate how disasters such as the Bradford blaze could be avoided.

A hospital spokesman said one of 58 persons being treated for burns died Monday. Four other persons were in serious condition.

Many of the victims were believed to have been children or elderly people. The grandstand was consumed by fire in approximately four minutes.

Fans tried to escape the flames by jumping onto the playing field. Exits opening onto the street at the rear of the grandstand had been locked to prevent late-comers from entering without paying. Many victims stumbled from the grandstand with their clothes on fire.

Mr. Donnale said that three people were still missing and that there was a chance that some victims had been burned without trace.

"In no case is visual identification possible," he said. "We are having to deal with this by jeweler's minkets, clothing and dental evidence."

Two clubs in southern England, Aldershot and Reading, said that they were closing wooden grandstands similar to those destroyed in the Bradford fire.

In front of the palace, about 1,000 people joined in a rally organized by Pax Christi, a liberal Roman Catholic group. They carried signs reading "John Paul II stand



GANDHI TRIAL OPENS — Tariok Singh, center, father of the man accused of killing Indira Gandhi, talks with his son's lawyers, P.N. Lekhi, left, and R.S. Sondhi, before the start of Satwant Singh's trial, which was delayed because the judge and prosecutor were not on time. The trial was quickly adjourned until Thursday. Page 2.

GE Pleads Guilty to Fraud

Overcharged Pentagon for Warhead Work

Compiled by Our Staff From Dispatches

PHILADELPHIA — General Electric Co., the fourth-largest U.S. military contractor, pleaded guilty Monday to defrauding the federal government of \$300,000 on a contract for a Minuteman nuclear warhead system and was fined the maximum of \$1,040,000.

U.S. Attorney Edward Dennis said in Washington that General Electric had falsified costs by altering time cards for employees without their knowledge.

He said the work involved retrofitting re-entry vehicles for the Minuteman warhead.

Mr. Dennis said an investigation was continuing to find which GE managers were criminally responsible.

GE's guilty plea came on what was to have been the opening day of jury selection for trial on the charges.

Mr. Dennis said the plea meant that GE could be barred for up to three years from bidding on any new military contracts. But he said he had received no indication of what the Pentagon would do in this regard.

Judge Louis C. Bechtel of U.S. District Court in Philadelphia, in filing GE, said the maximum penalty was "fully and clearly appropriate here" because the United States was dependent on GE's work for the military "just like a newborn baby is dependent on its mother."

GE pleaded guilty to 108 counts of making false statements and making and presenting false claims for payment to the U.S. Air Force to recover cost overruns on a contract worth \$47 million to refurbish the Minuteman Mark-12A intercontinental ballistic missile.

The work, according to a grand jury indictment returned against GE on March 26, involved research, development, engineering and other services for the Minuteman re-entry systems done at GE plants in Philadelphia and suburban King of Prussia between June 22, 1980, and April 19, 1983.

After the indictment was issued, the U.S. Air Force suspended GE from bidding on any new military contracts. Three weeks later, however, (Continued on Page 2, Col. 4)

Shultz Sees Progress in Mideast Trip

The Associated Press

AQABA, Jordan — Secretary of State George P. Shultz said Monday that he made some progress on his weekend tour of the Middle East on arranging a meeting with a Jordanian-Palestinian delegation, but he said that "many difficulties" stood in the way of peace in the region.

Mr. Shultz said that his discussions Sunday and Monday with King Hussein did not involve the names of Palestinians who might be able to meet with the United States and Israel, a key sticking point in the process.

"At some point, there will be a Jordanian-Palestinian group" to meet with the United States, he said.

"We made some headway in solving" the deadlock, Mr. Shultz said.

"There are clearly many difficulties between the present situation and the kind of stability and peace I think people involved want in the Middle East," Mr. Shultz said.

The secretary of state then flew to Vienna, where he was to meet with Foreign Minister Andrei A. Gromyko of the Soviet Union and attend celebrations marking the 30th anniversary of modern Austrian statehood.

The United States refuses to deal with the PLO unless that organization recognizes Israel's right to exist. Israel considers the PLO a terrorist organization and has refused to negotiate directly with an Arab delegation containing members of the group.

But Jordan, which has agreed to seek peace with Israel alongside the PLO, insists that the PLO approve Palestinian negotiators. The PLO insists they be PLO members.

Foreign Minister Tahar al-Masri said before Mr. Shultz arrived that the Americans had been given the names of PLO-approved Palestinians for such a delegation and that he hoped Mr. Shultz would bring a reply.

We didn't discuss a list or individual names or anything of that kind," Mr. Shultz said. "But I think it is clear that direct negotiations between Israel and a joint Jordanian-Palestinian delegation must include Palestinians."

U.S. officials have indicated that members of the Palestine National Council, the body which set PLO policy, are not necessarily PLO members and might be included in talks.

Mr. Shultz also talked with President Hosni Mubarak in Egypt and Prime Minister Shimon Peres of Israel and other Israeli leaders.

Yasser Arafat, chairman of the (Continued on Page 2, Col. 6)

Early Returns in Italy Show Communist Losses

The Associated Press

ING behind by margins similar to those forecast by Dixa.

Many observers attributed the strong showing by the Communists in the previous election to sympathy for Enrico Berlinguer, the Communist Party leader, who died a few days before the balloting.

Projections based on returns in 499 districts considered representative of the country also indicated a strong showing by the five parties of the center-left coalition of the Socialist prime minister, Bettino Craxi.

Dixa, considered Italy's most authoritative polling organization, the strong showing by the Communists in the previous election to sympathy for Enrico Berlinguer, the Communist Party leader, who died a few days before the balloting.

Mr. Craxi had said before the election that his government could not withstand a defeat — presumably meaning a serious drop from the percentages won by the five parties in general elections in 1983.

Although the results of the regional elections do not affect the makeup of the national legislature, the voting has been seen as a test of strength for the governing parties and for the Communists.

A poor showing by the Communists would further damage their claim to a share in the government, and would strengthen Mr. Craxi's coalition, which has supported the policies of the North Atlantic Treaty Organization.

On Sunday, 73.6 percent of the 44.4 million eligible voters voted, the Interior Ministry said.

In the last round of local and regional elections in 1980, the turnout was 70.8 percent.

Newspapers had predicted a low turnout, citing widespread apathy.

Voting is mandatory in Italy, but there is no direct penalty for failing to vote.



BANK RUN IN BALTIMORE — Depositors lined up Monday to withdraw money from Old Court Savings and Loan in Baltimore. A judge named a conservator to oversee the bank while a purchaser is sought. Page 13.

Consensus Grows Among Europeans That SDI Will Leave Them Vulnerable to Attack

By William J. Broad

New York Times Service

BONN — Allies in Western Europe seem increasingly worried by military and political dangers they see for their countries in President Ronald Reagan's Strategic Defense Initiative.

In public, many European leaders laud the project, popularly known as "star wars," as a potent force that brought the Russians back to the negotiating table, and they hail its five-year, \$26-billion research program as a hedge against Soviet efforts in developing space-based defensive weapons.

But dozens of interviews with European military experts and government officials and a review of government documents and official statements show deep and widespread apprehension about the plan as it relates to Western Europe.

Some strategists do find value in Mr. Reagan's concept, first set forth in a speech in March 1983, when he proposed a space shield to render all nuclear weapons "impotent and obsolete."

But the prevailing view is that U.S. defensive space weapons would fail to protect Western Europe from Soviet missile attack, would probably bring on a threatening conventional arms race and could well split the North Atlantic Treaty Organization and increase the risk of war.

At the recent Bonn summit meeting, reservations came to the surface as France became the first major power to

reject outright the administration's offer for the allies to join in the research.

So far no country in Western Europe has formally agreed to take part, although Prime Minister Margaret Thatcher of Britain has not ruled it out and Chancellor Helmut Kohl of West Germany has spoken favorably of joining.

One of the attractions for Europe, apart from the merits of the defense plan itself, is the prospect of substantial nonmilitary applications of the high-technology research.

Government leaders may be apprehensive about their political fortunes if they too themselves too closely to the American project, according to some analysts. Opposition political parties, especially in Britain and West Germany, have made a point of publicly denouncing the Strategic Defense Initiative as dangerous for Europe.

Election campaigns in the next two years will probably test the resolve of governing parties to publicly support the U.S. program.

At the heart of European concern lies a key technical consideration — the short time in which Soviet warheads can reach Europe — and the military judgment that many of these weapons would slip underneath the most elaborate shield that the United States could place in space.

Dr. Lawrence Freedman, head of war studies at King's College of the University of London and a leading British strategist, said: "The fight time for missiles traveling from the Soviet Union to Western Europe is less than half the

time it takes to reach the United States. For missiles launched from Eastern Europe, the flight time is even shorter. The task of intercepting the missiles is, therefore, correspondingly greater."

An official in the French Ministry for External Relations asserted that this showed the futility of space-based

"In Europe we will always be vulnerable," said a French

researcher. "We may get the bomber, but the airplane, the artillery and the tactical missile will get through."

defense. "The military gain for Europe is almost zero," he said. "We don't believe for a moment that it is useful."

Echoing that view, Colonel Jonathan Alford, deputy director of the London-based International Institute for Strategic Studies, said: "No matter how good the system will be more exposed." The institute is a private organization known for its annual assessment of the global military balance.

The Reagan administration sees space-based weapons

as potentially effective in defending the United States, essentially because of increases in available response time that might be provided by new technologies.

Ground-based defenses in the past had only seconds in which to work and thus could easily be overwhelmed. But in space, a "layered" system of defensive arms would theoretically have many chances to destroy enemy missiles and warheads, even to attack ones slipping through the first or second lines of defense.

For the United States, space weapons would be intended particularly to counter Soviet SS-18 missiles, which have a range of about 7,000 miles (11,200 kilometers) and can carry 10 nuclear warheads. According to Reagan administration officials, space defenses might also destroy SS-20s, which have a range of about 3,000 miles and present a threat to Western Europe.

But West European strategists, because of the proximity of the countries of the Warsaw Pact, are primarily worried about a different set of Soviet weapons — nuclear-armed bombers and smaller aircraft, cruise missiles, artillery shells and a variety of low-flying missiles.

The missiles include SS-21s, with a range of about 70 miles; SS-22s, with a range of 350 miles, and SS-23s, with a range of 300 miles. As distinct from strategic missiles, which travel many thousands of miles, these are known as tactical missiles.

Yves Boyer, a researcher at the French Institute of International Relations in Paris, said, "In Europe we will always be vulnerable. We may get the bomber, but the

airplane, the artillery and the tactical missile will get through."

In the months after Mr. Reagan's "star wars" speech, a panel headed by Fred S. Hoffman an American strategist, said such research "should reduce allied anxieties that our increased emphasis on defenses might indicate a weakening in our commitment to the defense of Europe."

European responses have tended to be skeptical. One fear is that ground-based anti-tactical missiles could easily be overwhelmed. Another is that "leaky" defenses, while theoretically worthwhile for North America, would have few advantages for Europe.

"Airfields, storage facilities and troop concentrations are always going to be more vulnerable than missile silos," said Dr. Dietrich Schroeder, a physicist at the International Institute for Strategic Studies. "There are problems even for the Pershings, which are out in the open, if a bomb goes off miles away. European targets are intrinsically soft and therefore hard to defend."

In contrast, some administration officials have said that a "leaky" defense of the United States would be worthwhile because it would protect many missile silos, if not cities, thus discouraging Soviet planners from launching a pre-emptive raid.

To some Europeans, the technical difficulties of trying to protect Europe in no way lessen the allure of space defenses for the destruction of Soviet long-range missiles. The protection of North America alone, they say, would (Continued on Page 7, Col. 3)

India Considering New Laws Following Bombings by Sikhs

By William Claiborne
Washington Post Service

NEW DELHI — Prime Minister Rajiv Gandhi said Monday that the government was considering the enactment of special anti-terrorism laws following the weekend bombings by Sikh separatists.

While Mr. Gandhi did not specify what provisions he was considering, he told the Indian parliament that the government faced restrictions in apprehending terrorists. He suggested that amendments to the law would be proposed in the next day or two.

Mr. Gandhi said that the government would be flexible in seeking a political solution to Sikh demands for increased autonomy but that it was determined to be "tough" in combating terrorism.

Mr. Gandhi delivered a 30-minute speech during a parliamentary discussion of the weekend wave of about 30 booby-trap bombings, in which at least 80 persons died and more than 100 injured. He cautioned non-Sikhs against reacting "in a way they want us to react."

"The extremists want a backlash and the whole community to be alienated," Mr. Gandhi said, referring to the community of Sikhs. "This is what we should avoid."

In his speech, Mr. Gandhi referred obliquely to charges of Paki-

stan involvement in the Sikh separatist movement, saying: "The fact is that foreign involvement is there. You know it. We know it. It does not help ignoring it. But there is no use giving too much importance to it."

It appeared unlikely that Mr. Gandhi would propose legislation approaching the severity of the "emergency" measures adopted in 1975 by his mother, Indira Gandhi, who suspended civil rights and jailed thousands of political opponents.

But provisions of the Anti-Terrorism Act that is in force in Punjab and in the turbulent region of far northeast India could be extended to other states not yet officially declared as "disturbed areas."

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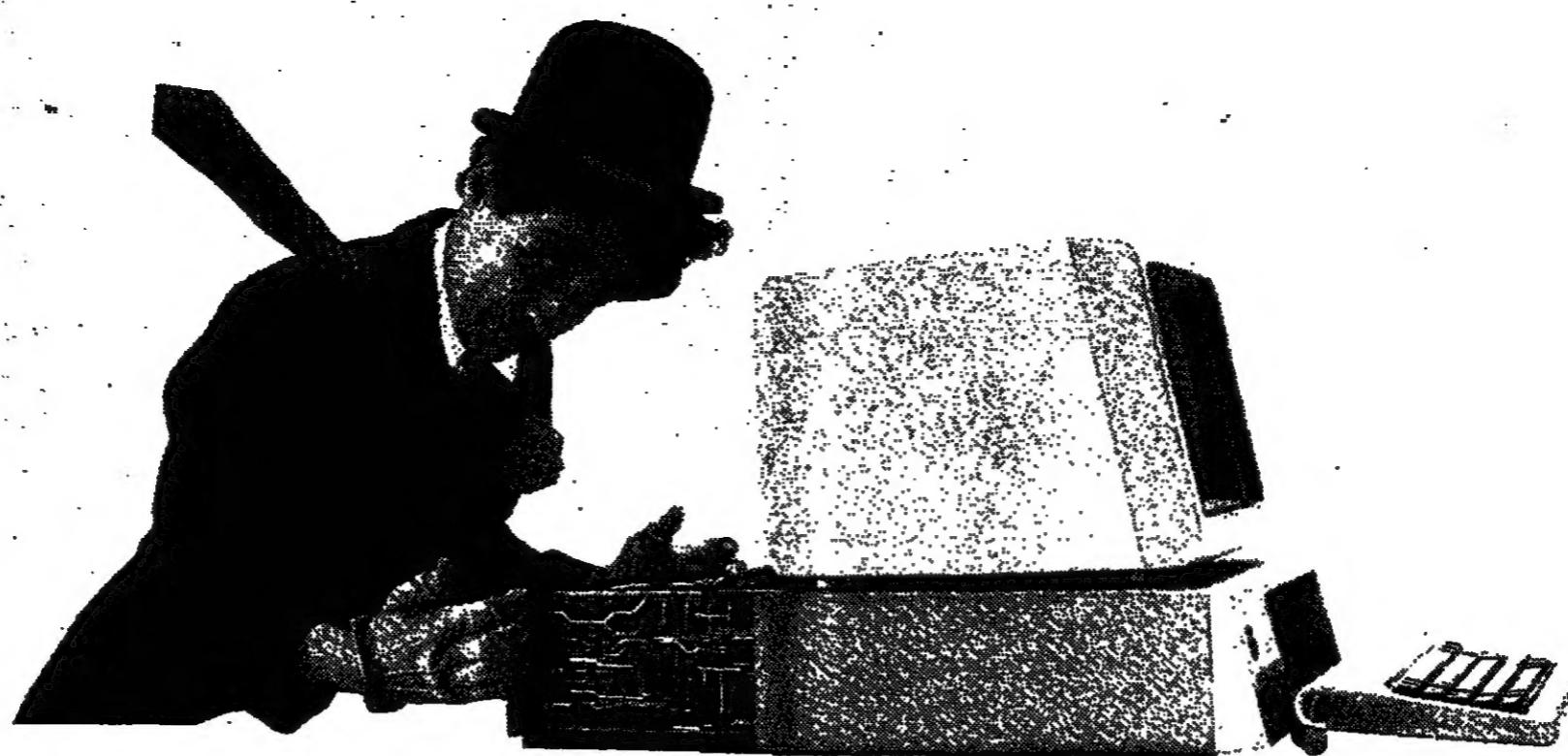
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INTERNATIONAL HERALD TRIBUNE

Published With The New York Times and The Washington Post

The Cambodia Question

The nagging question of American foreign policy since World War II has been whether and how to intervene to defeat, diminish or head off local Communist regimes. Nowhere has this question been posed with more poignancy than in Cambodia. There a harsh and aggressive foreign Communist state, Vietnam, now rules. The principal resistance, the Khmer Rouge, is not only Communist but is also the very group that in the 1970s committed genocide against the Cambodian people and put itself forever beyond acceptance. There is a small non-Communist resistance. Should the United States offer it modest military aid?

The question is so difficult because the slightest and most hedged support of military action anywhere in Indochina awakens all the ghosts of the former American intervention. These ghosts haunt both the argument against aid and the argument in favor. The argument against stresses the need for a firm, informed American consensus supporting the likely risks and costs of a new intervention. Such a consensus does not now exist. The argument in favor of aid makes the case for conducting an active policy within the constraints of the cautionary lessons of Vietnam.

We do not think the advocates of aid have overcome the natural hesitation that many Americans have about even a token involvement in Indochina. What counts most for us is a consideration arising from the excruciatingly

flimsy prospects for the anti-Communist resistance's success and from the likelihood that the vile and powerful Khmer Rouge, supported by China, whose interest in the outcome is far greater than Washington's, will dominate the anti-Vietnam struggle indefinitely. How can a deeply ambivalent United States make, with a small aid initiative, what the recipients are bound to take as a commitment to see them through to the end? There is no honor in standing by, but, given the history, there is even less in stirring false hope.

Those of us who see the world as a place of grays, not of blacks and whites, must accept a tricky issue of consistency. Why aid the Afghan resistance — an Asian cause that America supports — and not the resistance in Cambodia? The Afghan rebels are also fighting a foreign occupation, also (and directly) fighting Soviet power, also fighting an uphill battle.

The telling difference is not simply that Afghanistan is not Vietnam. It is that the Afghans have a serious chance, if not to vanquish the Soviet invaders in battle, at least to force them in time to the negotiating table.

The political appeal of a cause is one reason to consider supporting it. But support must be serious. It is not serious if it is able to achieve almost nothing and falsely encourages its beneficiaries to believe in a commitment and a chance of success that do not exist.

— THE WASHINGTON POST.

Progress on the Deficit

President Reagan has taken two giant steps toward a responsible budget by accepting the defense and Social Security cutbacks in the Senate budget resolution. His retreat on both should surprise no one, given his pattern of asserting rigid standards and then backing away. But his new steps are impressive nonetheless. Do they mean that he is ready to take the third step? Adding taxes to this deficit-reduction package would make it even stronger.

It took Vice President George Bush's tie-breaking vote to give the majority leader, Robert Dole, a painstakingly built victory for a resolution that would reduce the prospective budget deficit by an estimated \$56 billion next year and cut it in half by 1988. The compromise is a flimsy edifice in other respects, too. It rests on shaky assumptions of growth and revenue. And it is a Republican plan that the Democratic House will shape further.

Yet the Senate blueprint moves matters in the right direction. Cutting defense spending growth to the rate of inflation is safe and sound. Mr. Reagan said recently that doing this would be irresponsible. But his buildup remains massive. The Senate would still allow 4-percent military growth — the presumed inflation rate — while virtually all nonmilitary programs would be frozen, reduced or cut.

— THE NEW YORK TIMES.

Other Opinion

The World Waits for Reagan

For the first time since 1981, when the U.S. government launched the ambitious experiment in deficit-financing now universally known as Reagonomics, Mr. Reagan himself has sensed the dangers of the economic course which he has charted for America and the world. The president's sudden surrender on Friday to the Senate's demand for a freeze on military spending is the most hopeful sign to date that the U.S. budget deficit may be brought under control before it precipitates a serious financial crisis.

The basic cause of the growth of the deficit since 1983 has not been the increase in defense spending, rapid though this was. Over \$130 billion of the \$160-billion structural deficit can be directly attributed to huge tax cuts which were the cornerstone of the Reagonomics program. After four years of Reagonomics it is becoming clear that a sufficient political consensus does not exist in America for the sweeping reductions in government activity which Mr. Reagan would have needed to make his budget sums add up. It is now accepted even by the Republican leadership in Congress that a spending squeeze alone will not resolve the underlying imbalance created by Mr. Reagan's tax cuts. Sooner or later the president will probably be forced to compromise with Congress on tax reforms and higher revenues, as well as on cuts in spending. The big question is whether, while waiting for Mr. Reagan to make his mind up, the world can avoid a serious recession or financial crisis.

— The Financial Times (London).

Toward a Worldwide Network?

Fantasies have existed for some time of the power of a worldwide television network. The

— Neu Zürcher Zeitung (Zurich).

FROM OUR MAY 14 PAGES, 75 AND 50 YEARS AGO

1910: Mine Fire Kills 136 in England
LONDON — No one in the sorrowing town of Whitewhaven now doubts that death in one of its most tragic forms has come to the 136 men down in the workings of the Wellington mine. The main way of the mine, about two miles from the bottom of the shaft and out under the Irish Sea, was walled up with bricks [on May 13] and the fire behind it left to burn itself out. The 136 men on the other side of the fire must have been dead already, so great was the heat. The last rescue party to go down recorded the temperature of 160 degrees Fahrenheit. The three Government inspectors of mines agreed that the only course left to extinguish the fire was to wall it in. Whitewhaven is like one great family stricken by the hand of death.

1935: A Call to Stabilize Currencies
BASEL — Calling for the stabilization of currencies, the annual report of the Bank for International Settlements says that the tariff, quota, clearing and compensation agreements throttling international trade are "the inevitable concomitants of the chaotic money conditions which prevail." During the past year, says the report, approved by the European central bank governors, "disorder has become intensified through the fall in metal prices, of sterling and the currencies responsive to it . . . the silver policy of the United States and the abnormal attraction of gold to the American market. No durable recovery can be hoped for unless and until stabilization of the leading currencies has been brought about."

INTERNATIONAL HERALD TRIBUNE

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Reagan and Gorbachev: A Meeting of Minds Soon?

WASHINGTON — There is an interesting paradox in the brief two-month relationship between Ronald Reagan and Mikhail Gorbachev. When they exchange letters, both stress the things they have in common. But when they talk in public they emphasize the things that divide their countries and blame one another for the dilemma.

In his letter to Mr. Gorbachev for the 40th anniversary of the U.S.-Soviet victory over Nazi Germany, Mr. Reagan called for "renewed progress toward the goals of making peace more stable, and eliminating nuclear weapons from the face of the Earth." In response, the new Soviet leader recalled "the spirit of cooperation which united us all" against the Nazis, and he pledged Moscow's willingness to accomplish "the task of preventing a nuclear catastrophe and fully embracing system of international security."

Here is the fundamental challenge to U.S.-Soviet diplomacy: Do the superpowers concentrate on mutual fears and insults, or explore stated objectives of establishing a new system of international security and gradually eliminating nuclear weapons? For the time being both are obviously concentrating on their fears and distrust. Washington is worried about the development of a new Soviet missile with multi-warheads and Moscow about Mr. Reagan's "star wars" research program.

But within a few days they were bashing one another in public. In his address to the European Parliament in Strasbourg Mr. Reagan described the Soviet government as a corrupt system whose military policies were disrupting the world, and later he mocked it as an economic and political failure at home and abroad. Meanwhile, Mr. Gorbachev in Moscow was condemning the United States as "the forward edge of the war machine to mankind," although he added that a world without wars and weapons was attainable.

"The course of events," Mr. Gorbachev added,

By James Reston

"can be changed sharply if tangible success is achieved at the Soviet-American talks on space and nuclear arms . . . Such is our conviction. We firmly believe that the process of detente should be revived. This does not mean, however, a simple return to what was achieved in the '70s . . . From our point of view, detente is not the ultimate aim of policy. It is needed, but only as a transitional stage from a world cluttered with arms to a reliable and fully embracing system of international security."

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What has not been explored in the two months since Mr. Gorbachev emerged at the top of the Kremlin is what he thinks and whether it makes any difference. It is important to find out.

If both Mr. Reagan and Mr. Gorbachev keep saying they want to find a secure compromise in this nuclear power crisis, is it unreasonable to

suppose that they should arrange private talks, not only about the means of nuclear war but about the philosophy and process of how to reach their proclaimed objective of a nonnuclear world?

"Today," said Mr. Gorbachev, "on the anniversary memorable to all of us, I should like to repeat once more: The Soviet Union resolutely comes out for world without wars, for a world without weapons. We state again and again that the outcome of the historical competition between the two systems cannot be solved by military means."

All this may be smoke and flimflam, but nobody in Washington knows. Mr. Gorbachev is a stranger who may or may not have power, but it would be interesting to get some people together to discuss quietly whether he and Mr. Reagan really agree on reducing tensions and nuclear weapons and finally on the abolition of same. It probably would not bring these two fundamentally different philosophic and political views of life to compromise, but nobody in Washington or Moscow knows.

All the superpowers know is that they are getting into a dangerous, expensive and potentially disastrous confrontation, and that they should begin to discuss it this summer or at a personal meeting between Mr. Reagan and Mr. Gorbachev in the fall. This will not mean much, however, unless they get their philosophers and not merely their technicians together.

The New York Times

The Gorbauches Might Give the Reagans a Contest

By Flora Lewis

LONDON — From the talk of London, Mikhail and Raisa Gorbachev are going to give Ronald and Nancy Reagan, the great masters of TV-manship, some racy competition if they go to New York in the fall as expected. In fact, word has filtered through from Moscow that the Soviet leader wants to include a visit to the Reagan ranch at Santa Barbara. That would turn the "informal summit" into a grand-tour performance.

Mr. Gorbachev showed in his V-E Day speech in Moscow that he can be as tough and aggressive as any of his Kremlin predecessors when it comes to denouncing the West and blaming it for all of the world's present and past woes, including Hitler's war.

But he and his wife also showed during their week in London last year that they are susceptible to Western luxury and glitter, regardless of the call for more austerity and discipline at home in the Soviet Union.

Three anecdotes widely repeated

here among high officials and people with access to Margarita Thatchers office make the point. The anecdotes have not been directly confirmed, so they cannot be offered as assured fact, but they do give the flavor still lingering after the Gorbachev visit. Enough people were in a position to know the details, if not to acknowledge them publicly, to give the stories more weight than idle gossip.

The visit was in December, before Mr. Gorbachev became the top leader but, it seems, doubtless after he was sure of the succession. One item on the program was a pilgrimage to the cemetery in Highgate where Karl Marx is buried. The Gorbachevs did not go. It was a blustery day. The word is that Mrs. Gorbachev told their escorts to deposit the obligatory wreath because she was determined to see something else — the crown jewels in the Tower of London.

Finally, Mrs. Thatcher called over her husband, Denis, who had bought the jewels as an anniversary gift some years before, and asked him to tell Mrs. Gorbachev the name of the shop. It was Cartier.

A couple of days later the director of Cartier called Downing Street in some embarrassment. Mrs. Gorbachev and her cohorts were there demanding to see a pair of the same earrings. They were still in stock, but he wanted to know if the prime minister would buy any objection to showing them in the surprising circumstances. She did not. Mrs. Gorbachev bought the earrings and paid with an American credit card.

Efforts to check the story drew a blank. At first Cartier was evasive; after a number of people called, it said it had reviewed its charge slips and found no record of a purchase by Raisa Gorbachev. The press office at Downing Street denied even hearing the story. It was a dandy reason to show them in the surprising circumstances. She did not. Mrs. Gorbachev bought the earrings and paid with an American credit card.

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The incidents tell nothing about Mr. Gorbachev's policies and the positions he is likely to take in a meeting with Mr. Reagan. But they do give some clues to his personality and to his supreme self-confidence despite a minimum of contact with the West.

Mrs. Thatcher has said she was charmed by him. Instead of sticking rigidly to reading prepared papers during their official talks, in the usual Kremlin fashion, Mr. Gorbachev spoke to her from brief notes and responded to questions.

This is a new kind of Kremlin leader, neither wooden like the three of recent years nor impetuously earthy like Nikita Khrushchev. He is certainly Russian, but a departure from the stereotypes. He can deal with Western ways despite the profound difference in ideas and attitudes.

It will take some adjustment by Americans, once he appears on the scene, to recognize that looking and acting familiar does not mean thinking along American lines.

The New York Times

Crime: The Color of the Collar Counts

By William Safire

regularly shuffled rubber checks in and out of banks, bamboozling most bankers and intimidating a few who got wise.

What do you suppose is going to happen to the gang that enriched itself at the expense of the banks, which are owned mainly by small shareholders? Will the criminals be brought into court, to be photographed and shamed? Are the ring-leaders going to jail?

No. The corporation for which the perpetrators of the crime admitted their guilt in more than 2,000 instances of mail and wire fraud. "The object of the defendant's scheme and artifice to defraud was to obtain interest-free funds by means of intentional over-drafting," said Justice Safire, triumphantly, demonstrating how the illegal "drawing against uncollected funds totaled more than \$1 billion, with daily overdrafts sometimes exceeding \$250 million."

That certainly makes "Slick Willie" look like small change. Imagine. For more than two years a ring of at least a dozen and perhaps 50 stockbrokers, following a scheme concocted by a few modern criminal masterminds,

involved in a huge swindle, not to worry — the Meese Justice Department will limit the liability to the corporation. And none of the guilty persons will have to pay.

What excuse does the Justice Department's Criminal Division have to offer for this deal that was never offered to such bank-robbing entrepreneurs? "Slick Willie" did not go. It was a blustery day. The Gorbachevs did not go. The word is that Mrs. Gorbachev told their escorts to deposit the obligatory wreath because she was determined to see something else — the crown jewels in the Tower of London.

Justice officials in Washington have assured reporters that nobody in senior management was involved in the two-year, \$10-billion operation. That suggests a degree of honesty and management that stretches credulity. But even if this operation had been run by a stock clerk and a messenger boy, should they not be brought to justice?

Well, um, goes a further explanation, some witnesses were given immunity from prosecution in return for their testimony to the grand jury, and it would not be fair to prosecute a few when all the other immunized wrongdoers in E.F. Hutton offices got off.

What kind of abuse of immunity is that? Prosecutors are often required to let small fry off to order to get evidence against bigwigs, but the notion that immunity for some makes prosecution of others "unfair" is ludicrous. Says Mr. Meese: "We are as aggressive in the investigation and prosecution of so-called white-collar crime as [against] narcotics and organized crime." Based on the immunity, whitewash and cosy plea bargain in this case, that is great news for the Mafia.

A far-reaching misjudgment was made here, which deserves a close look by the Senate Judiciary Committee. Faceless companies do not filch money from banks; people in those companies do. There is a Sutton in Hutton who beat the rap.

The New York Times

LETTERS TO THE EDITOR

Look Who's Back in Play

In response to "In the Shadows of Summits: Former Leaders Find a Spot-light" (April 26) by Joseph Fletcher:

I am appalled that sidelined ex-leaders, having been voted out of office, should set themselves up as an "Inter-Action Council." By what right do these private citizens try to influence government decisions? They should be reminded that they were voted out because the people of their respective countries did not agree with their decisions.

Let me assure your readers that any statement by former Prime Minister Malcolm Fraser, for example, would have little credibility in Australia. He was swept from office in 1983 by an enormous majority and left the country with the largest unemployment figure in its history.

These men should not be allowed to strut and posture. If they have so much to offer, they should return to their countries and seek re-election.

KEITH R. HARDIE,
Caringbah, Australia

The Killers Might Be Forestalled

By Jonathan Power

LONDON — While President Reagan has had his hands full dealing with the aftermath of the Nazi extermination machine, the U.S. Senate has been preparing to decide whether to ratify the United Nations Convention on Genocide. And an organization called International Alert has been founded to

The Killers
Might Be
Forests

By Jonathan Fuerbringer
New York Times Service

Deficit Cut Without Tax Rise Vowed by Head of House Panel

By Jonathan Fuerbringer
New York Times Service

WASHINGTON — Representative William H. Gray, 3d, chairman of the House Budget Committee, has pledged that his panel will write a spending plan that will cut the U.S. deficit by more than \$30 billion in 1986 without raising taxes.

The Pennsylvania Democrat did not rule out a reduction in the cost-of-living increase in payments of the Social Security retirement program. But he said Sunday the committee would not cut so deeply into programs for the elderly as the Senate did in the budget outline it approved Friday.

The Senate's 1986 plan, which passed only with the tie-breaking vote of Vice President George Bush, cuts \$56 billion from the 1986 deficit that would result if no government programs were changed and if the current military buildup proceeded as planned.

Mr. Gray and his committee will begin to write their version of the budget this week. Members said that, based on informal discussions so far, their plan would hold military spending to a lower level than the Senate did, to offset some of the billions they want to restore for the elderly and other domestic programs.

That would set up a major confrontation with the White House and the Republican-controlled Senate, which have already agreed to hold military spending to 1985 levels plus an allowance for inflation. They have said that any at-

tempt to make further cuts would mean there would be no budget.

Both houses must approve a single overall budget resolution that sets general targets for spending and taxation in the fiscal year that begins in Oct. 1. The budget is then used as a guide to legislation that adequately appropriates funds for government activities.

"We'll be lower than the Senate on defense," he said. "But I can't see the votes for a Social Security cost-of-living freeze and I don't think we'll terminate these 12 programs."

On Social Security, he made no promise to reject the changes included in the Senate plan. "I can't say what the Budget Committee or the House is going to do. But I can tell you one thing, we're probably not going to do what the Senate did to senior citizens."

The Senate proposes to eliminate the cost-of-living adjustment for one year and to cut projected spending on Medicare, the health insurance for the elderly, by \$16.3 billion over three years.

Opinion on tax increases and Social Security is divided in the House. The Democratic leader, Jim Wright of Texas, supports the idea of a minimum tax on corporations while other leaders, including House Speaker Thomas P. O'Neill Jr. of Massachusetts, will not consider one unless President Ronald Reagan proposes it.

Mr. O'Neill is also opposed to any limit on the cost-of-living increase for Social Security, while

"I don't see him giving at all on taxes, I don't see him giving at all on defense," Mr. Speakes said. "We'd like to hold it as is. That's really for us the bottom line."

■ Reagan to Fight for Budget

President Reagan will fight for the Senate-passed budget "man by man and woman by woman" as it comes up for a vote in the House, his spokesman, Larry Speakes, said Monday in Washington, The Associated Press reported.

Assuming even lower military spending than the Senate approved, but not the Social Security freeze, members said the House committee appeared to have informally agreed on about \$45 billion of savings in 1986.

CIA Denies Link to Bombing in Beirut

Agency Also Rejects Charge It Trained Counterterrorists

The Associated Press

WASHINGTON — The Central Intelligence Agency denied Monday that a CIA-trained group in Lebanon was responsible for a car bombing in Beirut in which more than 80 persons were killed.

The CIA "never conducted any training of Lebanese security forces related to the events described" in an article in Sunday's editions of The Washington Post, according to a CIA spokeswoman, Pam Volz.

"It also had no knowledge of the Lebanese counterterrorist action mentioned in the article," she said.

The Post, quoting unidentified sources, reported that President Ronald Reagan approved a plan late last year directing the CIA to train foreign teams to make pre-emptive strikes against terrorists. The plan was rescinded after members of the unit hired others to set off, without CIA approval, the car bomb that killed more than 80 people March 8, the sources said. The target, a suspected terrorist leader, escaped unharmed.

Responding to complaints from some members of Congress that they had not been informed about the alleged operation, Mrs. Volz said the agency "scrupulously observes" its commitment to keep congressional oversight committees informed of agency activities.

The White House and State Department refused to discuss the substance of the story.

"That's our policy, of not commenting on any alleged intelligence matter," the White House spokesman, Larry Speakes, said Monday.



Patrick J. Leahy

We point out that we do not undertake any activities — have not — that are inconsistent with the law and we meet our obligations under the law to report to Congress.

Lebanon's ambassador to the United States, Abdallah Ronhabib, said he had not been told of any U.S. involvement in the attack. He said he had assumed that the bombing was the work of a dissident Shiite faction.

Senate Probe Is Begun

Bob Woodward and Charles R. Babcock of The Washington Post reported earlier:

Senator Patrick J. Leahy, deputy chairman of the Senate Select Committee on Intelligence, said

Sunday that he had begun an independent inquiry into a half-dozen CIA operations, including the counterterrorism program in the Middle East that was canceled after the unauthorized car-bomb explosion.

Mr. Leahy, a Vermont Democrat, said he wanted to know more about several sensitive operations and that he was seeking more details on others about which he felt the committee was not fully informed.

"We're going to review six to seven operations on our own," he said.

The senator said he did not know of the counterterrorism plan in Lebanon. But when he was asked about it last month, he said, he made inquiries "and found out about it on my own." He refused to give further details.

By law and by agreement with the Reagan administration, the chairman and deputy chairman of the Senate and House intelligence committees are to be informed of all covert CIA activities. An administration source insisted that the committee had been fully informed, both orally and in writing, of all covert or otherwise sensitive operations.

"Things have fallen between the cracks," Mr. Leahy said. "I do not want my side to get caught on a Nicaraguan-mining type problem."

Senator Leahy said he felt that the CIA chief, William J. Casey, and other agency officials were willing to answer the committee's questions about any matter, but that nothing was volunteered if the questions were not framed exactly.

Admiral Stansfield Turner

them, and in many applications no amount of human spying can possibly be a substitute."

Admiral Turner said the intelligence agencies' mishandling of a report that there was a Soviet combat brigade in Cuba was more damaging than their failure to predict the fall of the shah of Iran.

Earlier warning of the Islamic revolution would not have saved the shah, he said, but negative publicity over the Soviet brigade played a direct role in blocking ratification of the second strategic arms control treaty. It turned out that the "brigade" had been in Cuba for nearly 20 years.

Admiral Turner defended his emphasis on technical collection systems over spies and his decision to cut 820 positions from the CIA's clandestine service in 1977.

"We must never allow the Soviets to counter our technical collection capabilities," he said. "We have grown utterly dependent on

the shah, worked during World War II."

"Almost any covert action to help win the war was considered acceptable, and the more the better," he wrote, but he said this attitude in peacetime "was a serious mistake."

The book calls the mining of Nicaraguan ports by the CIA under Mr. Reagan a violation of principles governing the agency and of a law requiring congressional control of the U.S. intelligence services.

Admiral Turner acknowledged that the Carter administration used covert action, too. By the end of Mr. Carter's term, he said, a "wide variety of covert operations were in place" because of the administration's "cumulative frustration" about Soviet adventurism in Africa and Afghanistan, the fall of the shah of Iran and the taking of American hostages there.

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"The loser was the United States," Admiral Turner wrote.

Admiral Turner said Defense Intelligence Agency officials were pressured to produce reports that supported defense programs. The tug-of-war extended to the White House, he said, where officials put pressure on the CIA to produce reports that would help the president politically.

President Jimmy Carter's White House was "repeatedly insensitive" to the "importance of protecting the apolitical credibility of intelligence," he wrote. He said that Zbigniew Brzezinski, Mr. Carter's national security affairs adviser, once asked Admiral Turner to de-classify information on the Middle East that would help Mr. Carter.

Of the Reagan administration, Admiral Turner said it's model of intelligence seemed to be the Office of Strategic Services, where William J. Casey, the current CIA di-

INTERNATIONAL HERALD TRIBUNE, TUESDAY MAY 14, 1985

Soviet Exports Tripled To Nicaragua in 1984

By Theodore Shabad
New York Times Service

NEW YORK — Nicaraguan imports from the Soviet Union tripled last year as the Sandinists' relations with the United States deteriorated, recent Soviet foreign trade statistics show.

As a result, Nicaragua has now emerged as the second most important Latin American recipient of Soviet goods, after Cuba. Previously, Brazil was Moscow's second-best customer in the region.

The U.S. embargo against Nicaragua has evoked parallels with an embargo against Cuba in 1960 and Cuba's subsequent drift into the Soviet orbit.

Caribbean 'Concern'

Foreign ministers from 13 Caribbean countries have expressed "deep concern" over the embargo by the United States on trade with Nicaragua and have urged a return to dialogue between the two nations, The Associated Press reported.

Their concern was expressed in a communiqué issued at the conclusion Saturday of the 11th annual meeting of foreign ministers of the Caribbean Community and Common Market, or CARICOM, in Basseterre, St. Kitts and Nevis.

Ortega Arrives in France

President Ortega arrived Monday in France to seek support against the U.S. trade embargo. Reuters reported from Paris. Mr. Ortega has just visited Spain after completing a tour of Eastern Europe aimed at securing economic aid and credit.

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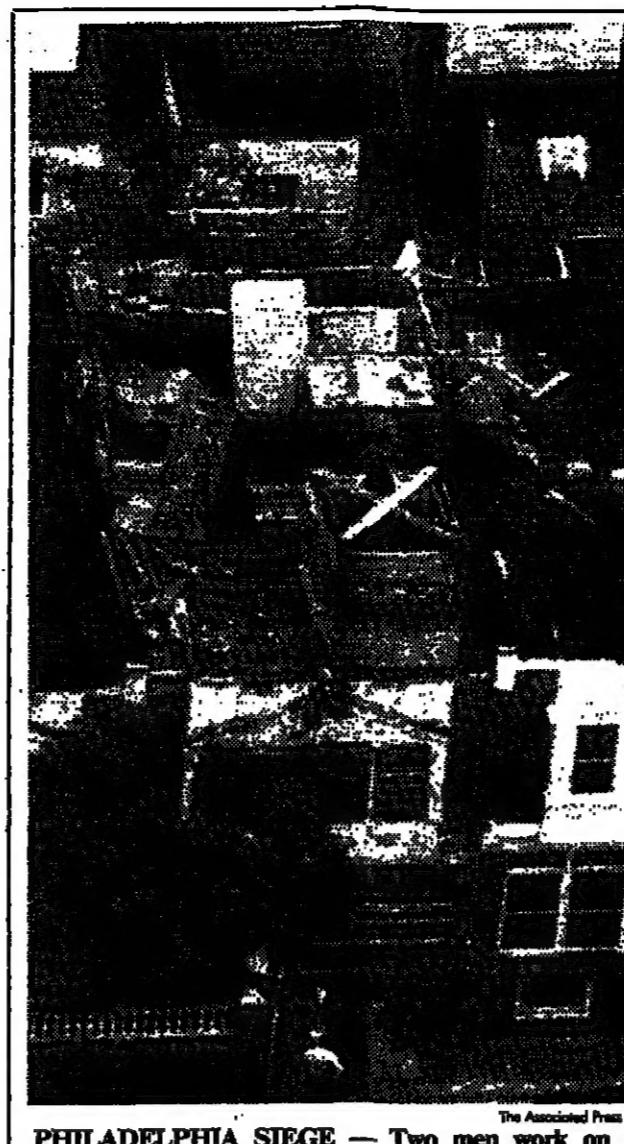
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PHILADELPHIA SIEGE — Two men work on a bunker atop a rowhouse occupied by a radical, back-to-the-land group, MOVE. Police used water cannon Monday to try to enforce an eviction order. Shots were fired from a building but no one was hurt. A policeman was killed in a 1978 shootout between the group and police.

Bitburg Visit Hurts German Tourism

Reuters

HAMBURG — Thousands of Americans have canceled vacations in West Germany following President Ronald Reagan's controversial visit to the German war cemetery at Bitburg on May 5, Kneit Blattmann of the German tourism

promotion center in New York said here Monday.

He said that the cancellations mainly by Jews and World War II veterans, resulted in hotels losing at least 200,000 overnight stays from Americans.



Admiral Stansfield Turner

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For Now, Space Defense Planners Say, Their Reach Exceeds Technology's Grasp

By David B. Ottaway
Washington Post Service

WASHINGTON — The Reagan administration's office in charge of research for the space-based defense project has concluded that the dream of exotic, orbiting battle stations firing powerful laser beams to knock out Soviet missiles and warheads is beyond America's technological reach for the foreseeable future, according to scientists directing the research effort.

The Pentagon's Strategic Defense Initiative Organization, the formal name for the office conducting the research, has all but excluded use of lasers, X-rays and particle-beam weaponry, at least for the "first generation" of any space-based missile defense system the administration may decide to build, the scientists say.

Instead, it intends to rely on ki-

netic-energy weapons like "smart rocks," or projectiles that home in on the heat produced by warheads, and "raiguns," devices that use electromagnets to accelerate a projectile along a rail to thousands of miles an hour.

The implications of the office's thinking — that two separate generations of a space-based missile defense system may be necessary — are likely to fuel the arguments of critics who have questioned the huge cost and the technological possibility of meeting the goals originally enunciated by President Ronald Reagan for the program, popularly known as "star wars." Those goals are to "render nuclear weapons obsolete" and provide a shield for U.S. population centers.

The first generation of the space-defense system "doesn't necessarily mean big battle stations in space," said Dr. Louis Marquet, director of the program's directed-energy research. "It may be something more prosaic than that."

Interviews with five top officials in the SDI organization suggest that pressures of time and political necessity are pushing proponents of the space-based defense system to resort to the most immediately available "off-the-shelf" technology. This is a tactic first proposed by High Frontier, a private group that was one of the early advocates

of space defense against Soviet missiles.

The "first generation" of weapons for the space-based defense system, according to the officials in the SDI office, would be an extension basically of the technology used in a successful experiment in June in which the army fired a ground-based maneuverable non-nuclear missile at an incoming dummy warhead and succeeded in hitting it more than 100 miles (160 kilometers) into space.

Lieutenant General James A. Abrahamson, director of the program, indicated in a recent interview that several breakthroughs had been achieved in research on a space-based "kinetic kill vehicle," known as a "raigun," which would shoot high-velocity projectiles to destroy Soviet missiles in the first phases of their liftoff from Earth, or to "kill" warheads later in mid-course flight.

Despite much uncertainty regarding the practicality and cost of the project, General Abrahamson expressed confidence that research would be far enough advanced by the early 1990s for the next administration to make an initial decision at least on whether to go ahead with the development phase of a fourth-generation system.

But he also said that one of the three key factors in making that judgment would have to be what he

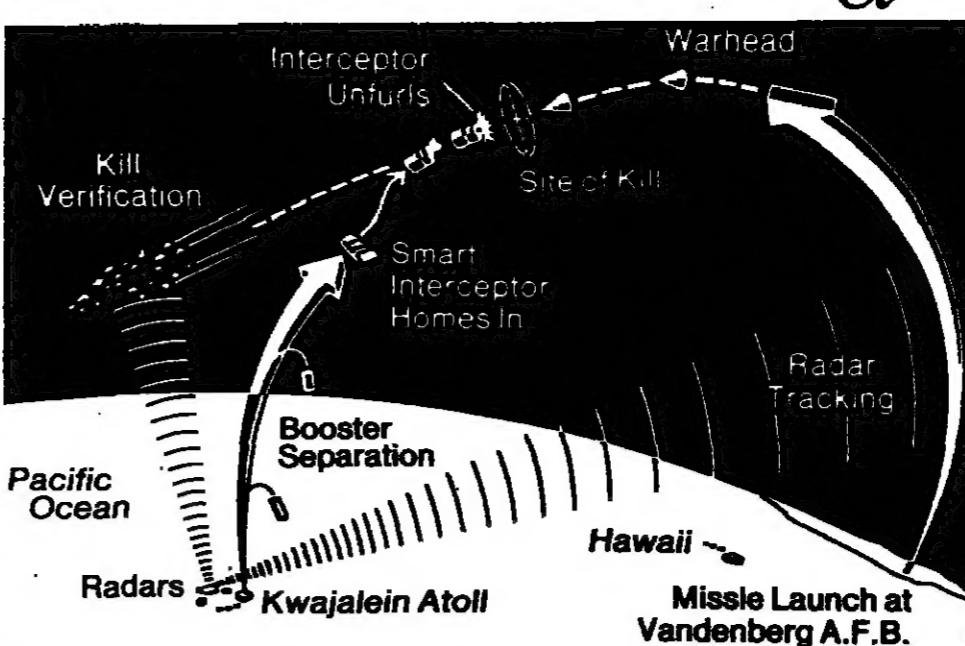
is a combination of the electromagnetic railgun firing some version of the "smart rock."

General Abrahamson, in illustrating the SDI plan, turned on a slide projection of the railgun. It is a cylindrical object 150 feet (about 45 meters) long, consisting mainly of electrical coils used to generate an electromagnetic force. The force is capable of shooting a small projectile into space at the speed of 20 to 30 kilometers per second.

The air force officer said that 10 prototypes of the weapon have been built for experiments in the United States and that a "world breakthrough" in railgun technology was achieved in November when one of them fired multiple shots of tiny projectiles.

"My guess is it's technically possible," Mr. Jonson said. "We'll know in a couple of years."

The focus of hopes in the project's office for coming up with a workable "first-generation" system



This diagram illustrates how one kind of kinetic energy weapon would work. A lethal "umbrella" enlarging the missile's diameter unfurls just before impact. In a successful experiment held last June, a nonnuclear missile hit an incoming dummy warhead in space.

The New York Times

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Abrahamson says the SDI organization's has in mind "to make it practical" would have to weigh seven to eight pounds. The general has a model of such a "smart rock" on his desk to show visitors.

The Pentagon is planning 15 major experiments of various possible components of a space-based missile defense system.

These experiments are being designed, the Pentagon says, so they will not violate the 1972 Anti-Ballistic Missile Treaty with the Soviet Union, which forbids tests of any components of an anti-missile system. Critics of the administration's plans say that these plans violate the treaty, and that the Soviet Union will certainly consider them violations.

Another unresolved issue is the cost-effectiveness of a defensive system. Dr. Marquet estimates that the United States would need about 20 defensive rockets for each of the 1,400 Soviet long-range, land-based offensive missiles, or roughly 28,000 "smart rocks."

This advantage is needed largely because the satellites, or railguns, would be constantly rotating around the Earth, each one passing over the targeted Soviet site for only a few minutes on each orbit.

High Frontier has argued that 432 satellites would be required to keep the Soviet missiles constantly under surveillance.

Dr. Marquet, unlike General Abrahamson, talks less of railguns firing the "smart rocks" than cheap, light orbiting space "platforms," which he described as "a little rocket launcher with a telephone on it." The "telephone" would be a processor of information to guide the smart rock.

Guam Is Pressing U.S. for Autonomy

Islanders Feel Neglected, Frozen in World War II Image

By Bill Peterson
Washington Post Service

WASHINGTON — While President Ronald Reagan was in West Germany last week commemorating the 40th anniversary of the end of World War II in Europe, Ricardo J. Bordallo, the Democratic governor of Guam, was complaining that Washington had never given his island the attention it deserves.

"There's been a tremendous neglect," Mr. Bordallo said. "We see the economics of the enemy — Japan and Germany — restored and in robust health. Yet we are part of the American family, and there's never been a plan, never a program for our people."

"When V-J came, they forgot all about us and packed up and went home," he said. "Much of our infrastructure is still what was left by the military in World War II."

Mr. Bordallo was in Washington to lobby for a change in status for Guam. Except for three years of Japanese occupation in World War II, the island has been under U.S. control since the Spanish-American War in 1898. It is the largest and southernmost of the Mariana Islands, 32 miles (about 51 kilometers) long and about 4 to 10 miles wide.

Since 1950, Guam has been an "unincorporated territory," and its people are American citizens. Now it wants to become the Commonwealth of Guam and be granted some autonomy.

Guam, controlled by outside powers for 300 years, voted in 1982 to seek commonwealth status rather

than independence or statehood, and it began writing a "commonwealth act" last year. Mr. Bordallo circulated the fourth draft of the act among congressional leaders last week. The act would give Guam, flooded with refugees after the Vietnam War, control over immigration and commercial air traffic and a veto over establishing any new security zones or basing foreign troops on the island.

It would return about half of the land controlled by the Defense Department, which maintains naval and air force bases there, to the local government.

It also would establish a payment plan similar to the District of Columbia and would provide certain U.S. benefits to which recipients have a legal right, such as Social Security pensions.

The act must be approved first by Guamanians, then by Congress. Mr. Bordallo said that he encountered no outright opposition.

U.S. Physician Says Heart Implants Have Not Yet Been 'That Successful'

The Associated Press

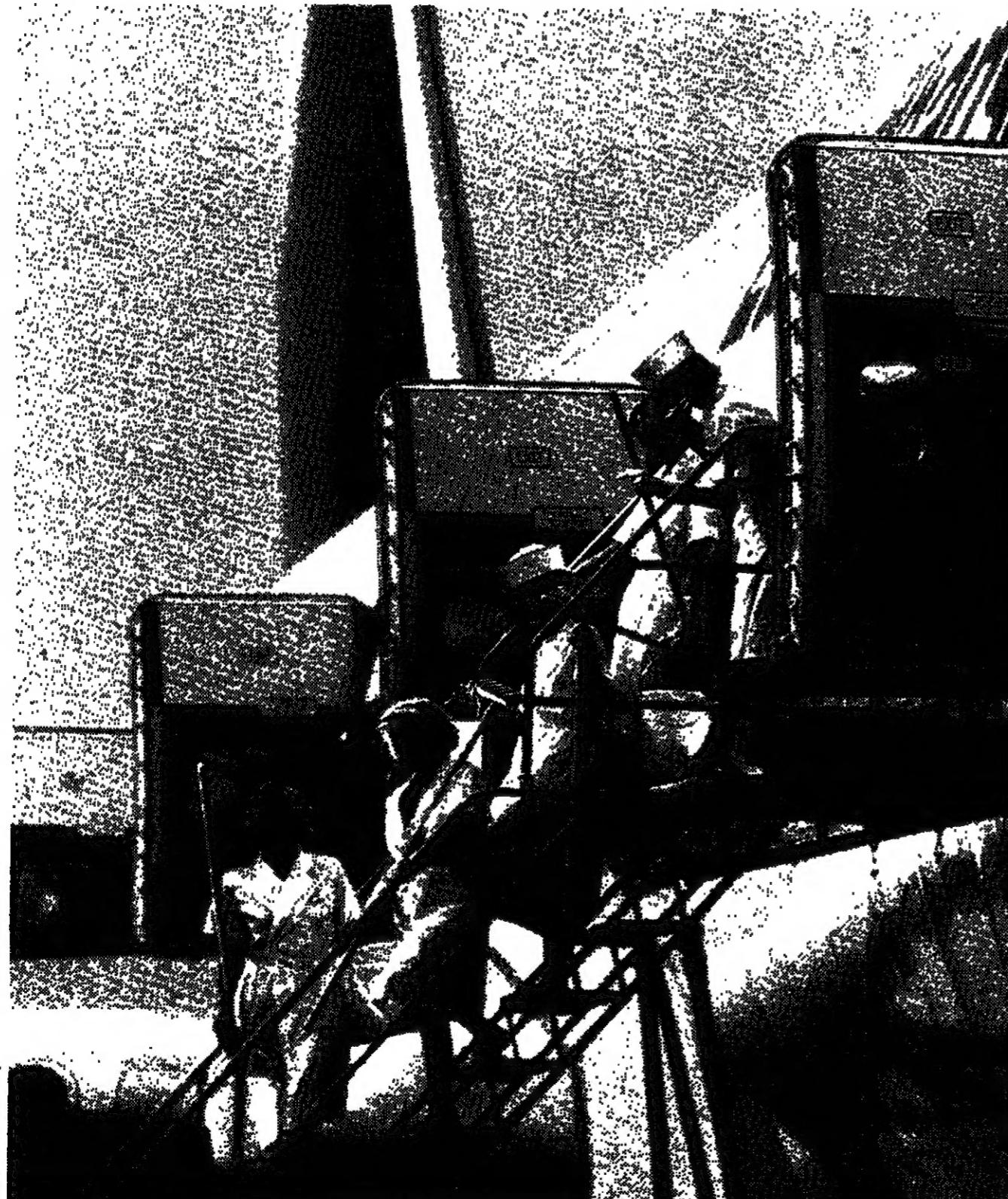
NEW YORK — The head of the world's leading artificial heart implant program says that the implants have "certainly not been that successful" and will be a failure if they prolong but do not improve recipients' lives.

"We hope that eventually, mechanical heart disease will be much less severe than human heart disease," Dr. Allan Lansing, medical director of Human Heart Institute International in Louisville, Kentucky, said Sunday on ABC-TV.

"But at this point, it has certainly not been that successful."

But Dr. Lansing said, "If I have something to live for and the mechanical heart is the only possibility of my achieving it, then I would certainly take a mechanical heart."

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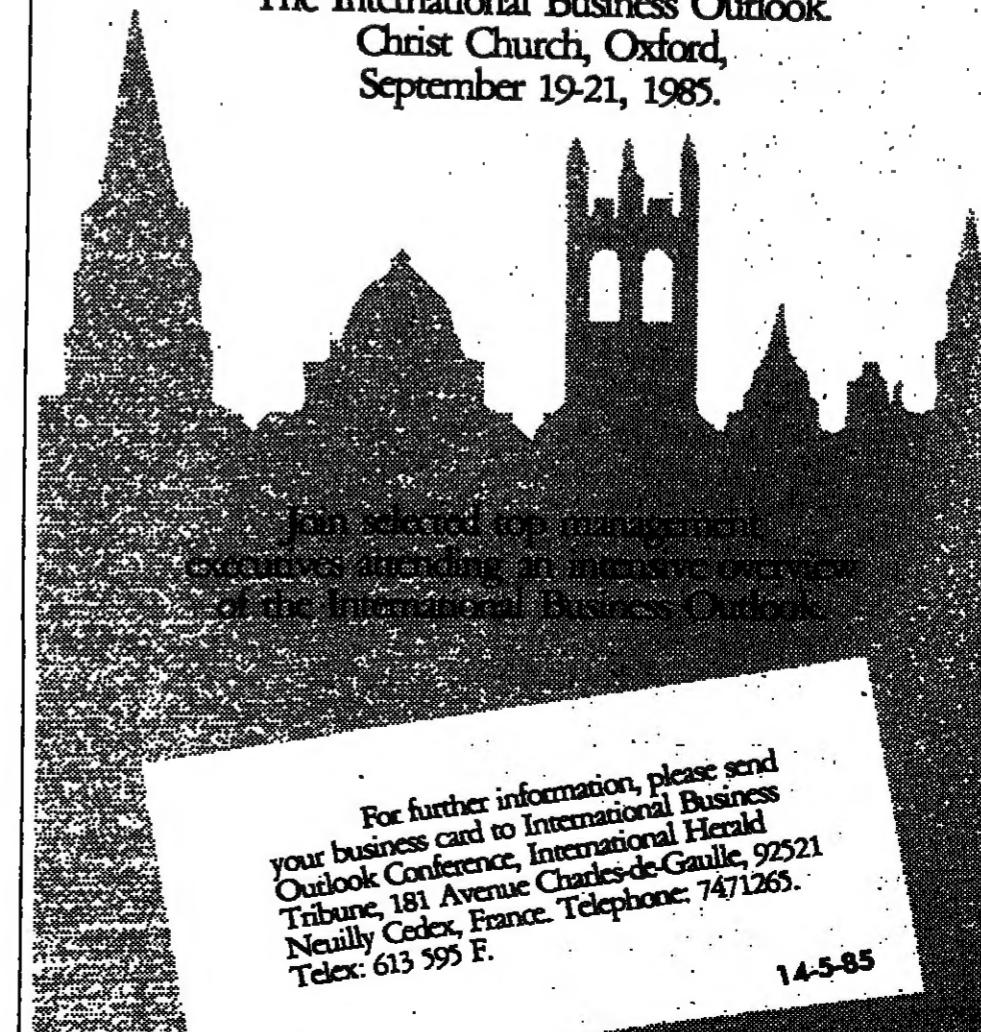
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Grasp

Gromyko, Shultz Will Try to Clarify Earlier Talks

By Dusko Doder

Washington Post Service

MOSCOW — Foreign Minister Andrei A. Gromyko was expected to leave Moscow on Monday for Vienna and talks with George P. Shultz, the U.S. secretary of state, on issues that are continuing to

NEWS ANALYSIS

frustrate improvement in Soviet-American relations.

The talks Tuesday are expected to deal with two main and interrelated issues. One is the agreement the two men reached at their last meeting in January that opened the way for a resumption of nuclear arms talks. The other is a prospective meeting in September between President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev.

Another interesting development is the visit to Moscow by the United States delegation to the Geneva talks. It is the first time that the United States has sent such a large delegation to Geneva since 1979.

Sources in Moscow say that barring unforeseen developments, Mr. Gorbachev is certain to travel to New York for the United Nations General Assembly session in September and that he is likely to meet with Mr. Reagan. But the substance of the meeting, according to political observers, will be determined at the next round of the

and those dealing with strategic and medium-range nuclear arms.

In his latest speech, Mr. Gorbachev stated that a significant improvement in Soviet-American relations could be achieved "if tangible success is achieved" at Geneva.

As a result, Mr. Gromyko and Mr. Shultz are expected to try to further define their January accord. Soviet officials convey the impression that failure to adequately clarify the interrelationship between the three sets of talks would render them meaningless.

The Soviet Union's concerns appeared Sunday in Pravda, which renewed allegations of U.S. violations of arms agreements that had a negative impact on "the whole spectrum" of relations.

Specifically, the authoritative daily charged that the Reagan administration was flouting the 1972 anti-ballistic missile treaty by going ahead with the president's Strategic Defense Initiative, popularly known as "star wars."

The main question remains whether the two sides are prepared to make concessions on tangible issues for the sake of a constructive dialogue in Geneva and the prospect of improving relations.

The European allies have also traded charges on other issues in recent

weeks, particularly in connection with celebrations of the 40th anniversary of allied victory over Nazi Germany.

But the main question remains whether the two sides are prepared to make concessions on tangible issues for the sake of a constructive dialogue in Geneva and the prospect of improving relations.

Failure of the meeting in Vienna could lead Mr. Gorbachev and his entourage to scuttle the prospective meeting and instead use the New York visit to exert pressure on the Reagan administration by beginning a spectacular peace offensive.

It will be up to Mr. Shultz and Mr. Gromyko to look for ways of



VIETNAMESE RESETTLEMENT URGED — Poul Hartling, the UN High Commissioner for Refugees, on Monday visited the Bowring camp for Vietnamese refugees in Hong Kong. He later urged Britain to aid Hong Kong by resettling more refugees.

Consensus Is Growing Among European Allies That SDI Will Leave Them Vulnerable to Soviet Attack

(Continued from Page 1)

suffice to increase European security because the United States would be more willing to aid its allies in a war.

In this view, the current U.S. "nuclear guarantee" is a poor promise at best. The belief is that no American president would order a nuclear strike to defend Bonn or Paris when to do so would mean the destruction of American cities.

Gerald Frost, director of the Institute for European Defense and Strategic Studies in London, said: "With the risks to America reduced by a system of defense, the policy would become more credible."

The counterpoint to this view is that a space-based defense might foster isolationism in that the United States. According to some analysts, this fear, whether real or imagined, might be enough to split the alliance.

Beyond the technical question of whether their land can be defended lies another contentious issue for Europeans: whether U.S. and Soviet space shields would render "impotent and obsolete" not only American and Soviet nuclear missiles but Europe's as well. The question is of special moment for Britain and France, which have their own nuclear arsenals.

Here raw numbers are viewed as critical. The Soviet Union, with its large number of missiles and war-

heads, might easily overwhelm European ground defenses, while the more limited arms of the French and British might pose a weak threat in return.

Pride and prestige are at stake as well as military might. One fear of the French and British is that their status as world powers would be lost by a switch to expensive systems of space-based defense beyond the means of their budgets.

"The nuclear game is the last opportunity for France to be a major power," said a French official. In his view, nuclear deterrence has worked. France has played a role in that strategy and it, in turn, has enhanced France's status.

Colonel Alford, of the International Institute for Strategic Studies, said: "Europeans actually tend to like nuclear weapons. They don't say we want more and more of them, but they say it is nuclear weapons on the whole, their existence, the fear they induce, which has made it impossible to contemplate war."

Over the years, Europe has stockpiled nuclear weapons mainly to counter the numerical superiority of conventional forces in the Warsaw Pact, although a recent goal has also been to reply to deployment of Soviet SS-20s.

Most recently, NATO countries have started to deploy cruise and Pershing-2 missiles, while the Briti-

sh and French have embarked on expensive programs to upgrade nuclear missiles on their submarines.

Skeptical of space-based defenses, European leaders have tended to cautiously back the research while objecting to testing and deployment of defensive arms.

In October 1983, the North Atlantic Assembly, which is composed of legislators from NATO countries, reluctantly endorsed Mr. Reagan's research proposal.

"However undesirable some feel an American ballistic missiles defense system would be," the statement said, "the presence of solely a Soviet system would be still less desirable. Thus while Soviet missile defense research continues, there is every reason for American research to continue also."

But last spring France publicly disparaged both the strategic goals and the research. At the Geneva disarmament conference of the United Nations, its ambassador, Francois de La Force, said defensive weapons in space "could threaten the stability, and thus the peace, that has resulted so far from the invulnerability of the means of nuclear response."

He added that Mr. Reagan's announcement alone of the intention to go forward with the research "constitutes in itself a spur to redouble the effort to build offensive

systems" as a way to try to defeat any possible defense.

The British reaction was cool and legalistic. In a quid pro quo, Mrs. Thatcher agreed to support the research in exchange for Mr. Reagan's agreement to four points: the Western aim must not be to stabilize, but just the opposite."

The military gain for Europe is almost zero," said a French official. "We don't believe for a moment that it is useful."

achieve superiority; deployment of a space-based defense system would be a matter for negotiation; the overall aim must be to enhance, not undercut, deterrence; and East-West negotiations should aim to reduce levels of offensive arms.

In March, Sir Geoffrey Howe, the British foreign secretary, raised the level of tacit criticism by cautioning that "we must make sure we are not developing what might prove to be only a limited defense against weapons of devastating destructive force." In a major speech, he listed a host of questions and implied that answers to them might prove disappointing.

Sir Geoffrey's speech was made in the opening week of negotiations in Geneva between the United States and the Soviet Union, and it

was criticized by Reagan administration officials and others.

In West Germany, initial reaction to the Strategic Defense Initiative was negative. In April, Defense Minister Manfred Wörner said the strategic goals "would lead not to stability, but just the opposite."

Colonel Alford, of the International Institute for Strategic Studies, said: "The military gain for Europe is almost zero," said a French official. "We don't believe for a moment that it is useful."

But Mr. Kohl, in a speech to the West German parliament, gave a warm endorsement to space defense research. He said his government would "not let itself be pushed" into a decision but generally favored taking part in the program.

On March 26, Defense Secretary Caspar W. Weinberger formally invited the allies to join in the research. He set a deadline for response of 60 days. The offer was widely characterized by West European officials as an ultimatum and viewed as a loyalty test.

A West German official said, "Your country can do the job exactly by itself. So what it is really looking for is political support."

Mr. Weinberger eventually backed down on the deadline, but

debate on the cooperation issue has heated up.

The main reason is that Europe feels it lags badly in high technology and sees the space defense research as one way to catch up. Areas of application of the \$26 billion research program are likely to include computers, optics, electronics, metallurgy, materials science and space transportation.

The head of the research program, Lieutenant General James A. Abramson of the air force, told a group of U.S. military contractors in April that he was "fully confident our allies will be able to participate."

He added, "They will be bidding in some cases, against you."

Although intrigued, many West European companies have voiced reservations. Fears include a scientific "brain drain" to the United States and Pentagon controls of the flow of technologies. According to company officials, the Pentagon might want to limit the exchange of techniques between American and European researchers and to inhibit the export of military technologies by Europeans.

According to Francois Heisbourg, a former international security adviser to the French defense minister, one way for European countries to overcome the barriers they fear is to form a consortium.

Banded together, European

companies might be able to work on such Pentagon projects as the quest for high-speed integrated circuits.

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Partly in response to such concerns, the French government in April proposed the founding of a European Research Coordination Agency, or Eureka. The agency would conduct peaceful scientific research in areas similar to those of the U.S. research.

So far the French proposal has not gained much European support.

A European alternative to the U.S. space defense plan is the last thing desired by American officials. Originally, they hoped for a firm endorsement of the research plan at the Bonn summit meeting. Besieged by questions and hesitation, they said they would settle for a vague supporting paragraph in the final communiqué.

But there was no such paragraph, and President François Mitterrand took the occasion to reject the U.S. invitation to take part in the research.

The immediate issue for countries other than France is whether

to accept the U.S. invitation. West Germany is widely considered likely to take part. Mr. Kohl said that joining in the research could increase Bonn's influence on questions of deployment and strategy.

But Karsten Voigt, the foreign policy spokesman for the opposition Social Democrats, dismissed Mr. Kohl's position as naive. "To participate in the research is to endorse the politics," he said.

By all indications, European officials want nothing to do with the actual deployment of space-based defenses. Governments fear that for Europe — space arms would be useless and costly.

Argentina Assails Falklands Airport

Reuters

BUENOS AIRES — The Argentine Foreign Ministry has warned it will take "pertinent international action" against the opening of an airfield opened Sunday by Britain on the disputed Falkland Islands.

Argentina, which has maintained a state of hostility with Britain since the end of the war over the islands in 1982, said Sunday the construction of the airport was an act of aggression. It has said it will use peaceful diplomatic efforts to recover the islands.

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ARTS / LEISURE

Designers New and Not-So-New Discover Marais, Exotic Fare, Godard Work Open Cannes

Putting Slick Boutiques Amid Paris Delicatessens

By Anne-Marie Schiro
New York Times Service

PARIS — The Marais, the area of Paris that includes the old Jewish quarter with its kosher butchers and delicatessens, has become a fashionable place to live as its fine 17th- and 18th-century buildings are renovated — and.

more and more, it is becoming a place to buy fashion.

Azzedine Alaïa's new showroom there is designed by André Putman. Alaïa is the most famous name to go to the Marais; most designers who have opened boutiques there are young and new, and names constantly change as businesses grow or wither away.

Some American store buyers, on the alert for new labels, make a point of visiting this part of the Marais, which many tourists do not know about.

"Parisians are just discovering it," said Patrick Bertaux of Miller & Bertaux, a new boutique at 17 rue Ferdinand-Duval. He and his partner, Francis Miller, design the clothing, rugs, collages and household linens that are artfully displayed in the shop. They selected the modern-looking white while traveling in Indonesia.

The women's clothing in their shop is essentially sportswear with wide elastic waistbands and their signature design of four pockets, two front and two aft; prices range from about 450 francs (\$47) to 800 francs.

The pair have also done a collection of oversize T-shirts, all in white with interesting graphics of black and white mesh, bold stripes or colorful paint strokes, ranging from 150 francs to 220 francs, and will soon stock a "simple, comfortable" men's shirt.

Another new boutique is Bernard Malbrunot at 3 rue des Rosiers, across from the St.-Paul steam baths. "A lot of famous people come to the baths here," Malbrunot said. "First we found a workshop here, then we found the shop." Lolita Lempicka's clothes are in

cotton, linen or wool. For spring, she has pastel frock coats with an Edwardian air that are meant to be worn over long pleated skirts, and tailored linen jackets to go with call-length narrow skirts. She does a line of knits made up of tight skirts, loose pullovers and long cardigans. Sweaters are about 900 to 1,650 francs; wovens about 800 to 1,700 francs.

Some of the most interesting

sweaters in Paris are at Sierra, 17 rue du Pont-Louis-Philippe. All are by Marie-Thérèse Sierra, who favors broad shoulders, wide sleeves and beautiful colors. Many have graphic patterns such as profiles knitted in others are divided into blocks of color; some simply have contrasting borders or tiny collars in back. One simple knitted dress in azuré, black and white has brightly colored shoulder pads that peek out of the boat neckline. Pullovers start at about 1,600 francs.

Benoit Durand and Elaïkim (he uses only one name) opened Point Five at 8 rue du Pont-Louis-Philippe, they offered clothing by several designers. "We didn't think we could fill a shop with our own designs," Durand said. "But they have been the most popular, so we are phasing out the others, and will bring in more of our own things. Elaïkim is known for his hand-painted fabrics, which he used to do for many designers. One of our best sellers is this hand-painted silk shirt."

The garment itself is Durand's design. It has deep armholes and a collar that comes off to convert it to a band neck. When painted, it looks rather like tie-dyeing. Unpainted it is a wonderful basic shirt for men or women.

The shop also specializes in broad-shouldered jackets that come in several fabrics.

"The idea of the shop," Durand said, "is not to make collections every season but items without season, one good piece in different colors and fabrics rather than 20 or 30 pieces. Everything can be worn by men or women except for our full-circle skirts. We expect women to wear those."

Solid silk shirts are about 750 francs, painted shirts about 1,000 francs. Silk T-shirts are about 450 francs. Jackets start at about 1,350 francs.

Sentimental, at 14 rue du Roi-de-Sicile, is one of the old-timers in the Marais: It has been there a year and a half. Unlike most of the newer shops, it sells the clothes of a variety of designers. Several have been discovered by American retailers.

Loua Dyn's silk jumpsuits and dresses, which have huge buttons, broad shoulders and cutout collars that serve as necklaces, are available at Loua and Le Rue des Reves in New York. Prices in Paris range from about 650 to 3,200 francs.

Pier Jean's first collection of wool jerseys has been sold to SoHo Zoo and West Side Zoo in New York as well as to Sentimental, where his loose tops cost about 500 francs and narrow skirts about 550 francs.

The Marais runs roughly between the Bastille, where the new opera is being built, and Les Halles. The closest Métro stop is St-Paul/Le Marais.

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By Thomas Quinn-Curtiss
International Herald Tribune

CANNES — Jean-Luc Godard, a long pet of the avant-garde critical fraternity, has lost favor with his former fans and they are reporting scornfully on his new film, "Detective" at the 38th Cannes film festival, while Pope John Paul II has formally disapproved of his previous work, "Je vous value Marie" (Hail Mary).

The charge that "Detective" is incomprehensible in large measure is perhaps justified, but such a charge might have been brought against many of his earlier scenarios, and is beside the point. He summed up "Detective's" contents briefly: "A woman, two men, a love story, a murder, a boxing game, the Mafia." There is a boxer in training, but no boxing match. There appears to be more than a single love story. There is murder and a shooting, and the Mafia is mentioned; it may be headed by an older man of aristocratic manners and an air pilot may be one of its employees.

Godard's approach to his dubious material is the thing, and he has delivered a film of uncommon pictorial beauty. To ask what it is all about is akin to demanding what a magnificent Persian rug has to say.

"Detective" is a masterpiece of cinematic design. Godard employs music for mounting tension as the silent movies did. The general impression the film leaves is that of seeing a trailer in which excerpts of the forthcoming feature are thrown before us without rhyme or reason.

One is mystified but one wants to see more. In its weirdly assorted cast are Johnny Hallyday, Nathalie Baye, Claude Brasseur, Laurent Terzieff, Alain Cuny and Jean-Pierre Leaud.

Some of the early showings at the film festival bring odd information from exotic places.

"Visages de Femmes" by Desiré Arceneaux is a homemade comedy about women's rights in Ivory Coast. It is a baffling jumble of plantation documentary, folkloric song-and-dance numbers, soft-core porn and a lecture on social reform. It opens with a native dance ensemble.

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Jean-Luc Godard was hit with a custard pie at the Cannes film festival, in protest of his "Je vous value Marie."

The Associated Press

bie, then relates a conflict brewing between two farmhands who have professional American trouble-shooters engaged by Coca-Cola and after much comic-strip ado Coke wins the day. The Yugoslav Dusan Makavejev, often beset by the censors in his homeland for his juggling of the party line, has a free hand here and applies a slap-stick style in which social comment and sex are combined. This formula brought him international reputation when his 1971 film, "WR: The Mysteries of the Organism," reached Cannes.

The U.S. film "Witness," directed by the Australian Peter Weir, and already widely reviewed since its opening in the United States, is set largely in a rural Amish community in Pennsylvania. Its routine plot concerns corrupt police officials who resort to murder to protect their drug-ring profits and threaten the life of an Amish boy who has witnessed one such crime.

Harrison Ford as a plainclothes detective is a bally actor — in the Theodore Roosevelt sense — and there is an appealing performance by 8-year-old Lukas Haas as the hunted boy. As the showing was out of competition, Haas is not in the running for the acting award he deserves.

The Hungarian Istvan Szabo, who made the memorable "Mephisto," is represented by "Colored Red" (in German), a fanciful revision of an espionage scandal that shook the Austrian-Hungarian empire on the eve of World War I.

Redl, chief of Austrian military intelligence, committed suicide in 1913 after being exposed as a Russian spy. The Russians, having discovered that he was homosexual, blackmailed him into service. He received payment in letters sent to the general post office in Vienna. The police had intercepted the correspondence and watched the post box. After Redl unlocked the box, he was taken under arrest to a hotel and left alone with a revolver.

Szabo has tampered with the facts, insinuating that Redl was the victim of intrigues by the crown prince. The alteration causes the loss of the dramatic post office scene, but the film has commendable qualities. The background of Austrian society and Redl's boyhood and rapid rise in the army are depicted with verve and style.

There is a magnificent performance by Klaus Maria Brandauer as Redl.

Luis Puenzo's "La Historia Oficial" (The Official Version), from Argentina, recounts a frightening chapter of recent history when the now-deposed military regime resorted to kidnapping to maintain its power. A conventional middle-class schoolteacher begins to harbor doubts about the origins of her adopted daughter, obtained by her husband; she comes on evidence that the child's mother is among those who have "disappeared."

Norma Aleandro as the conscience-stricken wife, Hector Alterio as her rascal husband and Chela Ruiz as a bereaved grandmother spark the story with a chilling reality. The film develops slowly but with swelling force.

"Insignificance" is aptly titled — surprisingly so, under the direction of Nicholas Roeg. Its characters or rather caricatures — are readily identifiable. Theresa Russell plays a sibylling gibber blonde movie star married to a ball player. Michael Emil is a professor, a low-comic in an Einstein wig and Tony Curtis plays a brutal senator. This strange crew is thrown together for one ridiculous scene after another. There is much talk but no sense.

Two celebrated directors who died recently have been given posthumous honors with the premieres of their final films. Joseph Losey's "Steaming" is an adaptation of Neil Dunn's popular comedy about women of different social standing meeting in bath-houses and discussing their problems. Vanessa Redgrave, Sarah Miles, the late Diana Dors, and Patti Lovy amusingly impersonate the loquacious bathers. Losey, with customary expertise, managed the transposition from stage to screen neatly. This film, however, can scarcely take its place with his major contributions and one regret that his farewell work was not of stronger substance.

Shuji Terayama, the Japanese playwright, poet, novelist, essayist and cineaste completed "Farewell to the Ark" shortly before his death. Terayama's swan song is filled with startling images such stuff as nightmares are made of. Its narrative is allusive, a sort of surrealistic case history. In a seaside village, a man lives with his female cousin. Carnal relations between cousins being forbidden, her father has fastened on her a chastity belt that nothing can remove. Mocked for his powerlessness, the man subdues one of his tormentors to death, then, with his cousin, departs to live in isolation, shunned by all. Haunted by the ghost of his victim, he goes mad. Make what you will of this and its eerie time-complex, it casts a hypnotic spell.

François Truffaut, who died earlier this year, was accorded a memorial program, which crowded the cinema palace's main auditorium to capacity.

Godard Request Refused

Italian distributors of "Je vous value Marie" have refused Godard's request that they withdraw the film from the Italian market, Agence France-Press reported from Rome.

A representative of the distributors, Aldo Addobato, said he had asked President Sandro Pertini to view the film. "Only if the chief of state, who is our supreme magistrate, tells us not to schedule the film will we obey," he said.

DOONESBURY

I GOT AN EVEN BIGGER ONE, ROG. A NICE GUESS WHO'S GET SURPRISE, TING HITCHED ALICE.

The Hungarians Istvan Szabo, who made the memorable "Mephisto," is represented by "Colored Red" (in German), a fanciful revision of an espionage scandal that shook the Austrian-Hungarian empire on the eve of World War I.

Redl, chief of Austrian military intelligence, committed suicide in 1913 after being exposed as a Russian spy. The Russians, having discovered that he was homosexual, blackmailed him into service. He received payment in letters sent to the general post office in Vienna. The police had intercepted the correspondence and watched the post box. After Redl unlocked the box, he was taken under arrest to a hotel and left alone with a revolver.

Szabo has tampered with the facts, insinuating that Redl was the victim of intrigues by the crown prince. The alteration causes the loss of the dramatic post office scene, but the film has commendable qualities. The background of Austrian society and Redl's boyhood and rapid rise in the army are depicted with verve and style.

There is a magnificent performance by Klaus Maria Brandauer as Redl.

Luis Puenzo's "La Historia Oficial" (The Official Version), from Argentina, recounts a frightening chapter of recent history when the now-deposed military regime resorted to kidnapping to maintain its power. A conventional middle-class schoolteacher begins to harbor doubts about the origins of her adopted daughter, obtained by her husband; she comes on evidence that the child's mother is among those who have "disappeared."

Norma Aleandro as the conscience-stricken wife, Hector Alterio as her rascal husband and Chela Ruiz as a bereaved grandmother spark the story with a chilling reality. The film develops slowly but with swelling force.

THE ADVANTAGE IS INTER-CONTINENTAL

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TELECOMMUNICATIONS

A SPECIAL REPORT

TUESDAY MAY 14, 1985

Page 9

Monopolies Of Europe PTTs Put In Question

By Amiel Kornel

PARIS — European governments' iron grip on telecommunications services was loosened recently by the European Court of Justice. The court's decision joins technological, economic and political forces that are already liberalizing competition for the provision of telecommunications services worldwide.

The March ruling might serve as a precedent for denying the European postal and telecommunications authorities, the PTTs, the right to extend their monopolistic domination to future telecommunications services, according to officials well acquainted with the case.

"We are now studying the situation in other member states," said an official of the European Commission, who requested anonymity. "We will take action in all places where they try to extend their monopoly to new technologies, especially value-added services."

"This is the first time that a court ruled against monopoly control of new services," said Ernst Weiss, president of the International Telecommunications User Group.

Although not widely reported, the court's decision is causing "havoc" within the PTTs, said Harry Collier, chairman of the telecommunications group of the European Association of Information Services. "It is bound to have an effect on all lucrative forms of traffic. It is forcing communications carriers to sit down and rethink their policies."

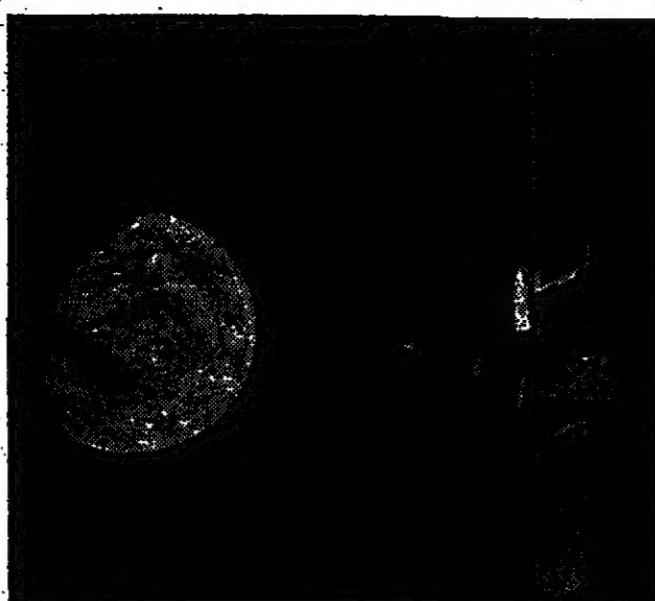
The history of the case starts in 1982. A number of private agencies in London, encouraged by the liberalization of telecommunications competition in Britain, began offering trans-Atlantic telex services to companies from throughout Europe for as little as one-fourth the rate charged by the national PTTs.

Concerned by the implications for their previously uncontested control of tariffs, the Confederation of European PTTs, or CEPT, pressured British Telecom to prevent the private companies from offering the telex-forwarding services. British Telecom, itself eager to reap the fruits of market liberalization, only reluctantly agreed to intervene, according to officials.

"We found the wrong culprit probably," said the EC official. "We should have condemned the PTTs for putting pressure on their British colleagues."

Nonetheless, the EC Commission condemned British Telecom on Dec. 10, 1982, for abusing its dominant business position in the community under the anti-trust provision of Treaty of Rome legislation.

The battle was not yet won. The Italian government, again upon the urging of the CEPT, appealed (Continued on Next Page).



An earlier Intelsat, left, and drawing of Intelsat VI, right.

Drawing the Line Between Communications and Computers

By Arthur Brodsky

WASHINGTON — At a conference on international telecommunications held recently in New York, the discussion touched briefly on whether there is a difference between communications and computers. One participant rose and took an informal poll.

"How many of you have computer terminals on your desks?" he asked. Little more than half the 100 or so persons in the room raised a hand. "How many of you have telephones on your desks?" he continued. Everyone raised a hand. "That's the difference," he stated emphatically and sat down.

Anthony Oettinger, director of Harvard University's Project on Information Resources Policy, disagreed. From an engineering point of view, he said, there is no difference. Mr. Oettinger, who uses the term "communications" to describe the convergence between computers and communications, said that the only way the two technologies are kept apart is through "electro-political engineering."

In 1956, the Justice Department and American Telephone & Telegraph agreed to settle an antitrust suit by stipulating that AT&T could not participate in the computer business. Twice since then, the Federal Communications Commission has tried to pry communications away from computers, the latest attempt in 1980. The question of what constitutes communications and what constitutes computing has never been satisfactorily answered, and this summer the FCC is expected to try again.

Most telecommunications technical experts agree there is no difference between the two fields. Perhaps there was, at one time, when computers were big and bulky and confined to their locations, and when communications over telephone lines were confined to analog transmissions, which could only carry voice and very crude data traffic.

But times have changed. A user sitting at a computer terminal in one city can perform computations

in a main computer hundreds of miles away. The data travels back and forth, often through regular telephone wires. Is that communications or computing? The changes in the telecommunications industry

have been more startling. Since the 1970s, the technology has begun to alter radically how the telephone can be used.

Information sent over telephone wires is now being transformed and reassembled. Data can be

transmitted. Even pictures and sound, in videotex or videoconferencing, can all be transmitted in data-bit form. The switching machines that handle the voice and (Continued on Next Page)



A New Industry: Piracy of Signals

By Wilson P. Dizard

WASHINGTON — Tonight more than a million U.S. and Canadian families can switch on their television sets and watch a newly released Hollywood movie without paying anyone. They are the so-called "space pirates," equipped with small backyard earth stations designed to receive satellite pay-TV programs.

Satellite-signal piracy is spreading fast in North America and in the Caribbean region. Easy access to a dozen or more satellite entertainment networks has spawned a new earth-station industry — and new problems for the Hollywood film studios and pay-TV distribution whose products are vulnerable.

Reacting to this development, Congress last year passed legislation making protection of proprietary rights a key objective in U.S. trade negotiations.

Controlling satellite piracy presents special problems. To begin with, it is a mass phenomenon. By the end of this year in the United States, there could be almost 1.5 million backyard "dishes" designed to pick up entertainment programs intended primarily for cable-TV systems.

Satellite piracy was practically unknown in the United States until the late seventies. Earth stations before then were big and expensive.

There were, moreover, few satellite transmissions worth looking at. Now there are a dozen major U.S. satellite providers of new films, sports and other entertainment features.

More than 500 manufacturers and distributors make up an expanding home-satellite industry, complete with its own trade association and annual convention.

Typically, their dishes measure 3 or 4 meters (9.9 to 13.2 feet) in diameter. The trend, however, is toward 2-meter dishes capable of picking up pop-

(Continued on Next Page)

The writer is a research fellow in international communications at the Georgetown University Center for Strategic & International Studies.

Problems Bring Satellite Market Down to Earth

By Jonathan Miller

WASHINGTON — Recent failures in space, the development of earthbound competition and political problems have unsettled the satellite telecommunications market.

The loss of the Hughes Syncor-4 satellite (also called Lusat) on the April flight of the space shuttle Discovery was the fourth multimillion-dollar loss to the satellite industry since early last year. In February 1984, Western Union's Westar-6 and Indonesia's Palapa B-2 were stranded in a useless orbit after their on-board rockets had failed to propel them from low-earth orbit, where they had been taken by the shuttle to geostationary orbit, 22,300 miles (36,000 kilometers) above the equator, where they were to have provided telecommunications services.

Although the two satellites were later picked up on another shuttle flight, they remain in a warehouse in California, unsold and unwanted, having cost the insurance underwriters \$180 million in payments to Western Union and Indonesia. In June 1984, a \$102-million satellite owned by the International Telecommunications Satellite Organization (Intelsat) was lost in space after being launched on an Atlas-Centaur rocket from the Kennedy Space Center in Florida. No rescue of the satellite was possible.

In March this year, the Canadian satellite Anik D-2 lost stability in space. Canadian ground controllers managed to regain control of the satellite, but the operation required the use of a 14-month supply of its fuel. This has reduced the operational life of the Anik and is expected to lead to a \$15-million insurance claim.

Then, in April, NASA suffered the embarrassment of losing the Syncor satellite on a flight that was receiving unusual publicity because Senator Jake Garn, a Utah Republican, was a passenger. An effort by the shuttle's crew to revive the satellite did not succeed.

The string of American failures to get satellites into space has been offset by Europe's Ariane space program, which has been chalking up a series of textbook launches. But the industry still is gloomy. Not only have the insurance premiums on satellites tripled (from about 6 percent of insured value to close to 20 percent) but the business itself is encountering unexpected commercial difficulties.

Intelsat, the global satellite network, has been failing to achieve predicted levels of use, causing shortfalls in revenue of tens of millions of dollars. After years in which it appeared that Intelsat could expect to expand continually while reducing its charges, the plan

to upgrade the network now looks commercially risky, and the basic charges have remained unchanged.

Domestic satellite companies in the United States also have attracted fewer customers than predicted. As a result, some new companies that had been hoping to get into the business have dropped out because they have been unable to get financing.

All over the world, the new generation of high-powered satellites capable of broadcasting television directly to tiny antennas is being held up amid mounting doubts about the reliability of the technology and the feasibility of the economics.

Moreover, the satellite communicators are increasingly worried that they may be outflanked by the rapidly developing technology of fiber-optic cable communications. For two decades, satellites have represented the ultimate in telecommunications sophistication.

But the latest development in communications is not in space, but on earth.

Extraordinary advances in the technology of fiber-optic systems are threatening to make conventional, terrestrial communications less expensive and more reliable than satellite links, especially for telephone connections.

Further uncertainty has been injected into the satellite industry by political considerations. This summer, in Geneva, members of the International Telecommunications Union will gather for a conference to decide on rules to govern the future utilization of the geostationary orbit. The debate could turn out to be acrimonious, pitting developing countries against the developed world.

The poorer nations want guaranteed access to the satellite orbit; the rich are resisting any procedure that might restrict future launches. On a regional level, politics is also a factor. In Europe, political squabbles threatened to upset the plans of Luxembourg to launch Europe's first private satellite company.

And in the councils of Intelsat, there is another danger to global harmony. The Reagan administration, in a major policy departure, has indicated that it is prepared to authorize private satellites as an alternative to Intelsat for transcontinental satellite links. While the new policy is in accord with a long-standing desire to deregulate communications and open the field to expand competition, it threatens to tear apart the historical consensus that has made Intelsat a prime example of successful international cooperation. Almost without exception, America's partners in Intelsat are bitterly opposed to the policy.

There are some bright spots in (Continued on Page 11)

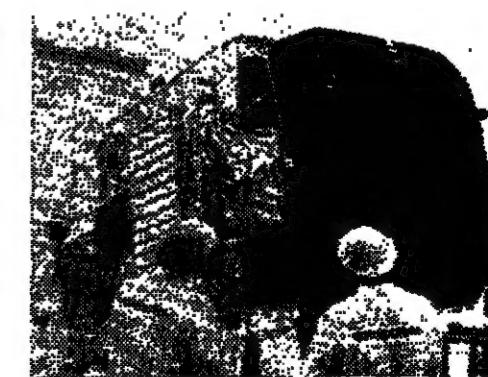
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n Cannes

"Insignificance" is a play on the name of Nicolas Rave, the author of the book "Insignificance," which is a collection of short stories. The book is set in a small town in France and follows the lives of several people, including a teacher, a doctor, and a woman who works in a shop. The stories are written in a simple, direct style, focusing on everyday life and the relationships between people.

The book has received mixed reviews, with some critics praising its honest depiction of rural life and others criticizing its lack of depth and originality. However, it has become a popular read among those interested in French literature and culture.

Author: Nicolas Rave
Title: Insignificance
Publisher: Gallimard
Year: 1984
Pages: 180
Language: French
ISBN: 207043000X

Summary: Insignificance is a collection of short stories by Nicolas Rave, a French writer. The stories are set in a small town in France and follow the lives of various characters, including a teacher, a doctor, and a woman who works in a shop. The writing is simple and direct, focusing on everyday life and the relationships between people. The book has received mixed reviews, with some critics praising its honest depiction of rural life and others criticizing its lack of depth and originality. However, it has become a popular read among those interested in French literature and culture.

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A SPECIAL REPORT ON TELECOMMUNICATIONS

Piracy of Satellite Signals Widening

(Continued From Previous Page)
ular programs on the more powerful new Hughes Communications' Galaxy I satellite.

Although there have been legal attempts to curb alleged signal stealing, the chances for relief from the courts or legislatures appear slim.

Last year, Congress passed legislation, which, in effect, permits signal piracy in the absence of plans by satellite program distributors to sell their services to the backyard-dish market.

The Federal Communications Commission had earlier given up on attempts to control the proliferation of dishes.

The most promising means of overcoming signal stealing is to

The free-for-all has been in the Caribbean and Central America.

scramble the signal. Regular cable subscribers would get the programs since the descrambling equipment would be controlled by the local cable company.

Signal pirates would get "snow" on their TV screens. Last month, *House Box Office*, the largest U.S. pay-TV distributor, began national testing of its scrambler system to 6,900 cable systems. The firm expects that a full-time scrambling system will be operating by the end of the year. Showtime and other large pay-TV companies are making similar plans.

Despite these efforts, there will still be enough unscrambled signals — and cheaper dishes — to encourage signal stealing.

The United States will remain the signal-piracy leader, with Canada in second place because so many U.S. programs can be picked up there. The Canadian government has followed the American lead in giving up efforts to control the backyard pirates.

The greatest free-for-all in signal pirating has taken place in the Caribbean and Central America. As with Canada, U.S. pay-TV transmissions are readily available. The entire region is dotted with earth stations designed to pick them up. At one point, the Jamaican television network was broadcasting pirated films over its stations.

The Motion Picture Association of America and the pay-TV compa-

nies complained loudly. Their protests led to congressional legislation which, in effect, required governments in the area to come to terms with the American program providers before they would be eligible for trade concessions under the Reagan administration's Caribbean Basin Initiative.

Since early 1984, the arrangement has resulted in a cutback in the more flagrant satellite-signal abuses in the region.

Signal piracy has been a relatively minor factor in Europe so far. This is only because of a still undeveloped infrastructure of satellite and cable systems there. Until that infrastructure is in place, large pay-TV systems — the primary objective of the signal pirates — will not develop.

Europe's slow start results largely from stalling tactics by conservative postal, telephone and telegraph agencies against commercial entrepreneurs who would upset their broadcasting and telecommunications monopolies.

Last year, the European Economic Commission came out in favor of a "common market" for broadcasting, a concept that will remain largely theoretical (along with signal piracy) until this political and economic impasse is settled.

The most intriguing prospect for signal piracy involves the Soviet Union and East European countries. Eventually, West European satellites will broadcast attractive entertainment and sports programs over an area that includes Eastern Europe and western parts of the Soviet Union.

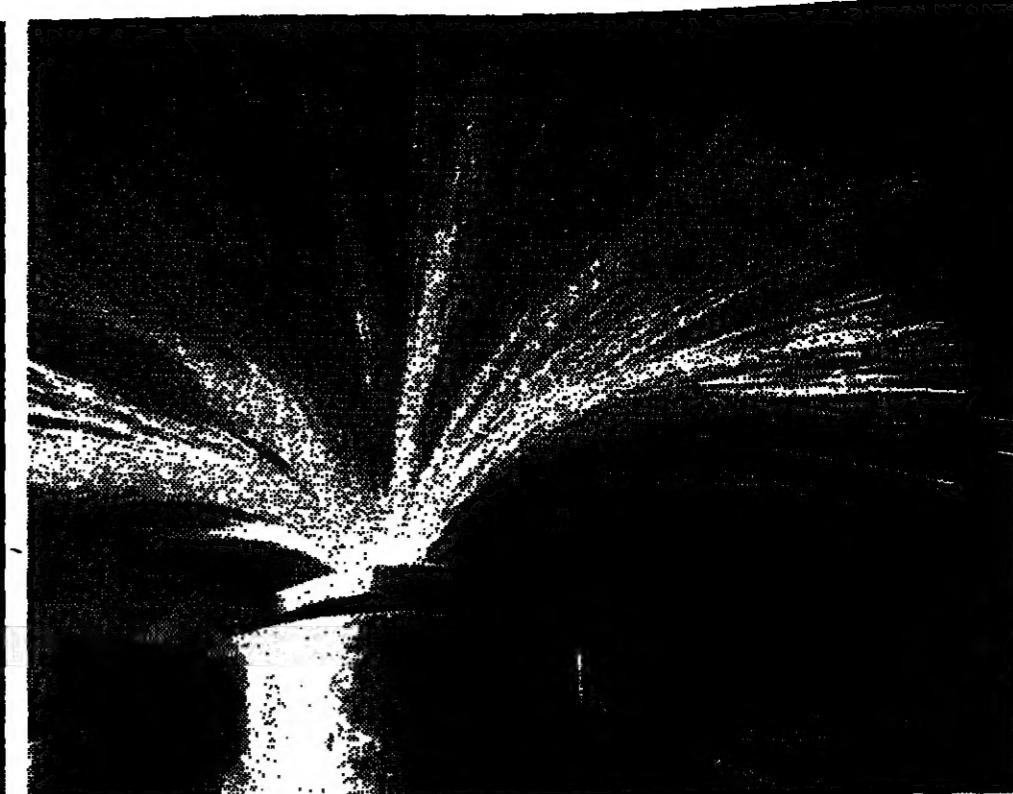
Although local Communist leaders will do what they can to discourage signal piracy, the lure of "Dallas," "Dynasty" and Hollywood films will be strong.

A preview of what could happen occurs nightly in a small control room at Columbia University's Institute for Advanced Study of the Soviet Union. For the past year, students have been monitoring Moscow television programs picked up from a Soviet satellite passing over the United States. Recently, the students have noticed something new.

Once the Moscow transmissions are finished, Hollywood films and MTV-style video programs show up on the screen. They are apparently picked up from American satellites by technicians at Soviet earth stations who want to give their comrades a pirated look at Western-style entertainment.

While the first major phase of INS was completed in

Left, traditional telephone cable; fiber optics, right.



Fiber optics used by the French PTT.

Japanese Compete With U.S. in Global Fiber Optics Market

By Jack Burton

TOKYO — The showpiece of Japan's fiber-optics industry is the Information Network System (INS),

February with the laying of the main fiber-optic trunk line through the length of the Japanese archipelago, Japanese fiber-optic producers can look forward to several other big projects.

Following the deregulation of the Japanese telecommunications market on April 1, several consortiums, including ones led by Japan National Railroads and the Ministry of Construction, are planning to erect fiber-optic telecommunications networks within the next several years to compete with Nippon Telegraph's INS.

A more technically demanding challenge is the laying of a submarine fiber-optic cable by Kokusai Denshin Denwa, Japan's international telecommunications company, between Japan and Hawaii by 1988 to improve trans-Pacific telephone service.

The Ministry of International Trade and Industry plans to establish more than a dozen "new media" communities throughout Japan that will use its Hi-Vis system, a two-way interactive cable TV service that relies heavily on fiber optics.

These projects underscore that Japan, with its compact area, concentrated pockets of population and crowded urban landscape, make a suitable environment for fiber-optic systems, probably more so than the United States, where satellite communications can more conveniently bridge the large land mass.

Japanese makers of fiber optics are also expected to tap the industrial and office markets. Fiber optics can be used to automate assembly lines and wire computerized offices.

With demand booming at home, Japanese fiber-optic companies are also advancing into the United States, with Sumitomo beginning mass production of fiber-optic cables in the United States this year and NEC Corp. manufacturing optical communications equipment.

Perhaps Japan's biggest contribution so far to the fiber-optic field has been a new method of producing fiber-optic cables, called VAD, for vapor phase axial deposition.

Developed by Nippon Telegraph in cooperation with its three major fiber-optic suppliers — Sumitomo Electric Industries, Fujikura Ltd. and Furukawa Electric — VAD is more suitable for mass production of optical fibers than the earlier so-called MCVD method pioneered in the United States.

The larger production volume offered by the VAD method means cheaper fiber-optic costs. Improvements in the VAD method will likely result in makers of fiber cable being able to attain NTT's price target of 4 cents per meter (3.3 feet) of fiber cable, a level competitive with the cost of conventional copper cables.

The advantage of VAD lies in the fact that it can produce longer continuous lengths of fiber cable than the MCVD method. Sumitomo Electric has already produced a single fiber cable, 300 kilometers in length, on an experimental basis, although cables of 100 kilometers long will likely become the VAD production standard in the future. This compares with 20-kilometer cables now produced with MCVD and 5-kilometer ones with MCVD.

But the longer length of the new fiber cables can not be fully utilized unless a way is found to reduce the number of relays inserted along fiber-optic lines to boost signals. Light signals continually lose strength as they travel down fiber-optic lines, resulting in the need for relays to amplify the light signals at regular intervals.

The main trunk line for INS, for example, has relays every 30 miles (48 kilometers); fewer relays would mean lower construction costs and easier installation for long-range telecommunications systems.

Research is focusing on several ways to improve the light-transmission capability of fiber-optic systems. Nippon Telegraph is developing a new type of fiber optics that has a high-density germanium additive to carry light signals up to 300 kilometers (186 miles) before a relay is needed.

Another way to improve transmission focuses on the lasers that fire the light signals along the fiber-optic cables after they are converted from electric impulses at the source. Nippon Electric and Kokusai Denshin Denwa have developed lasers for single-mode optical fibers, which have a low light-loss rate and wide bandwidths that shoot signals on a wavelength of 1.5 microns, considered the optimum level for long-distance optical transmissions.

Nippon Telegraph is also working on improving relay technology. Relayers now depend on a cumbersome and inefficient system of converting light signals into electrical signals and then back again before passing them down the line. Nippon Telegraph's method consists of a semiconductor that directly amplifies the light signal without the need for electrical conversion.

The company says that such a method could transmit a light signal another 140-280 kilometers before another relay is needed. Its relay research touches on the next major goal in fiber-optic research, developing an optoelectronic chip that can process light signals in the same way that an integrated-circuit chip distributes electronic signals in a computer.

Electronic-circuit chips are unsuitable for fiber-optic systems since they cannot process light, so research is under way to develop new semiconductor materials that can handle both electricity and light.

Monopolies of European PTTs Are Questioned

(Continued From Previous Page)
pealed the commission's ruling to the European Court of Justice in Luxembourg. The case finally ended on March 20, when the court confirmed the commission's application of the law.

The ruling's implications for the liberalization of the European telecommunications market could be significant. The development of new technology is constantly expanding the range of telecommunications services. The U.S. telecommunications market alone will be worth about \$250 billion by 1990, according to Booz Allen & Hamilton, the U.S.-headquartered international management consultancy.

So-called enhanced, or value-added, services will be the most lucrative portion of information-age business. Such services modify electronically transported information, using computer processing techniques to better tailor the product to user needs. They will become more widespread as broadband digital transmission techniques begin to enable the transport of high volumes of video, sound, text and data over telecommunications networks.

Some industry and government officials now argue that the rapid growth in technology and services makes monopolistic control of telecommunications impractical and economically undesirable.

The PTTs will see or already see, that the world is changing," said Theodor Irmer, director of the International Telegraph and Telephone Consultative Committee, and formerly a director at the West German Bundespost. "No longer will there be one network provider or one provider of terminals.

The committee is the standards-setting body of the International Telecommunications Union in Geneva.

"PTTs will hold on to the infrastructure," said Hanns Schwimmann, Paris-based vice-president for Booz Allen & Hamilton. "On the other hand, they must understand that they cannot develop these services

on their own; anymore. That means that they have to open up the market."

Liberation in telecommunications so far has involved varying mixtures of deregulation, demutualization and privatization of government-owned agencies. The situation varies from country to country. Many observers now talk about re-regulation instead of deregulation.

The provision of basic telephone services was demonopolized in the United States with the divestiture of AT&T's 22 regional operating companies on Jan. 1, 1984. The government has begun slowly relaxing its regulatory control of AT&T since divestiture. Market forces will slowly replace government decrees in determining competitive practices, tariff policies and technical norms.

Britain and Japan have followed the U.S. lead in telecommunications liberalization. Government-owned British Telecom and Nippon Telephone and Telegraph have been partially privatized, but both continue to be strictly regulated by their governments and competition for services remains minimal.

The Line Between Communications, Computers

(Continued From Previous Page)
data traffic for the telephone company and telephone engineers will argue, computers.

In addition to normal telephone networks, there are special networks built to handle high-speed data. These can handle voice, data and pictures all at the same time. A businessman can talk to a colleague in another place while looking at his office terminal. They can discuss plans and alter data simultaneously. Some networks are now being configured to build computing capabilities. The data that go in one end come out in different form at the destination.

At that point, trying to distinguish between communications and computing becomes a mere physical, rather than an engineering, question.

This convergence, or "computations," is happening all over the world. Pacific Bell, the telephone company that serves most of California, recently discovered that it had discovered a method of converting a single telephone line into two voice and one medium-speed data channel and four low-speed data channels.

In Singapore, Fujitsu, a Japanese company, said it had launched a field trial of an integrated services digital network that will provide over the same system, digital telephones, facsimile service, simultaneous voice and data transmission, and access to a special high-speed data network.

Convergence, from an engineering standpoint, will continue. But what Mr. Oettinger called the "electro-political engineering" continues also. Unfortunately for many businesses and homeowners waiting for the golden age of instantly accessible information and multifunction telephone services, politics in many areas of the world are stopping the technology from taking its logical course.

Many of the barriers exist in Europe, where, in most countries, the postal and telecommunications authorities, or PTTs, control communications networks and, in many cases, the equipment connected to those networks, much as AT&T did in the United States for about 100 years. For the PTTs, the emerging technologies pose the question of where their monopoly begins or ends. Many have found at least a temporary answer by expanding their control to include all new information services, including videotex and high-speed data systems.

A recent survey of international data-processing firms conducted by the U.S. Department of Commerce found that PTT discrimination against foreign-owned firms" the most frequently encountered problem around the world. The second most frequent problem was "trans-border data flow restrictions." Problems include restrictions on use of circuits that companies want to use and policies that force computer users wanting to transmit

data to send the information over the government-provided network.

Ironically, many multinational companies have found the most convenient method of communications is to lease telephone lines in several countries and construct their own networks. That works well enough for the company in question, according to a representative of one multinational firm, but does not help expand communications for companies unable to put together a similar project.

Technical standards for transmission and networks differ from country to country, particularly in data communications, making complete, transborder traffic circuits over public networks virtually impossible.

In the United States, one facet of the convergence of communications and computing in the PBX, or private switchboard, that many companies purchase to switch calls and messages around a building.

Advances in PBX technology are rapid; a two-year-old system can easily be outrun. But the West German Bundespost is one example of a PTT that controls all the equipment connected to it.

According to a representative of one equipment manufacturer, the company wanted to sell PBX in West Germany, but had to take out all the advanced features because Siemens, a leading German company, had not developed those capabilities. It is not unusual for there to be rules, as with the Bundespost, that only German-made or German-approved equipment may be connected to the telephone system. In another example, a report by the Organization for Economic Cooperation and Development found that Brazil is "the most severe example" of putting restrictions on equipment and allowing only a limited range of systems, but "long and complex approval procedures were reported to be a widespread problem, especially in Europe."

International telecommunications experts cite other problems that hamper the natural technological convergence, including long waits for services ordered by foreign companies and countries not accepting the equipment-testing standards of others.

Convergence of telecommunications and computers is happening as a natural course of events. In the engineering world, there is no stopping the progress.

The European Community has recognized the need for a unified effort in telecommunications, most recently through the RACE (Research and Development in Advanced Communications-technologies in Europe) and ESPRIT (European Strategic Program for Research and Development in Information Technologies) programs, but these are long-term projects that some analysts believe will not have much impact on fast-moving technological changes.

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Satellite Trade: Subsidized or Open, It Is Cutthroat

WASHINGTON — In London, earlier this year, the International Maritime Satellite Organization (Inmarsat) was about to select a contractor to provide it with a new range of satellites to handle communications with ships, offshore platforms and aircraft.

Negotiations with teams led by British Aerospace and Marconi Space Systems had been conducted in secrecy. But a few days before the final decision was to be made, unmarked envelopes began landing on the desks of journalists and government officials, containing details of the contract talks and suggesting that one of the bidding companies had offered a superior proposal.

The anonymous communication was promptly denounced by all concerned. Inmarsat went on to award the contract to the British Aerospace team. But what was interesting was the length to which someone was prepared to go to influence the contract negotiations.

Interesting, but hardly surprising. Inmarsat could end up spending half a million dollars building, launching and insuring its satellites over the next several years. And Inmarsat is one of the smaller satellite organizations. Around the world, probably some \$200 billion will be invested in civilian communications satellites and associated paraphernalia between now and the end of the century.

The rich commercial rewards to be reaped in the satellite business have spawned intense and sometimes brutal competition among suppliers. More than profits are at stake. Governments see satellite prime contracts as a matter of prestige and a manifestation of national technological competence. As a result, they have been willing to spend millions and sometimes billions of tax dollars to subsidize research and development that often ends up getting transferred to the private sector at concessionary prices.

The satellite business meets none of the criteria for a free market, according to economists such as Michael Tyler, a former British Telecom executive now chairman of CS&P International, a telecommunications consultancy with offices in New York and London. The market is characterized by subsidies, systems of preference, secretiveness, monopolies and restrictions on the transfer of technology.

Launch services are a prime example of how this system affects pricing. There are essentially only two ways to launch a satellite today: via the American shuttle or atop the European Ariane. NASA and ArianeSpace, which operate these launch systems, charge satellite owners a price for launch services that does not allow for the recovery of a single penny invested by American and European (mainly French) taxpayers in their development.

The trade in the satellites themselves is equally distorted. The Europeans will not buy American satellites, although these have until recently been in most respects less expensive and more capable than Europe's own models. This is a function of blatant protectionism. Europe has wanted to encourage a satellite-manufacturing industry of its own.

But while keeping out American satellites, Europe has been aggressive in selling Ariane launches to U.S. satellite operators.

A lack of evenhandedness also is evident in the market for earth stations. The United States is the world's largest producer of satellite-television reception equipment, producing some 60,000 units per month and having the ability to rapidly expand production. The

Europeans keep out all but a trickle by applying brutally effective nontariff barrier. In many European countries, the private ownership of a satellite earth station is simply illegal; in others, it requires a license that is, for all practical purposes, almost impossible to get.

The genuine competition that exists in the world is within the United States and in Third World countries that have no satellite industry of their own. The Brazilians, Indonesians and Chinese can get good prices on their satellites because they can play off the European and North American suppliers against each other. Within the United States, the laissez-faire regulatory policy of the Federal Communications Commission has meant no restrictions on the ownership of earth stations and an abundance of satellite capacity, creating the conditions for vigorous bargaining among users and suppliers of satellite services.

While the launch-services market is essentially restricted to two suppliers, the market for satellites and earth stations is competitive. In the United States, the leading manufacturers of satellites are the Hughes Aircraft Co. and the Astro-Electronics Division of the RCA Corp. A second tier of suppliers includes subsidiaries of the Ford Motor Co., and General Electric, Lockheed, Boeing and TRW also manufacture satellites, but almost all of these are exclusively for military and government uses.

In Europe, France's Aerospatiale and Matra British Aerospace and Marconi Space and Defense Systems, Italy's Selenia and West Germany's Messerschmitt-Bölkow-Blohm are all trying to win a piece of the satellite business. In Japan, Mitsubishi Electric and Toshiba are prominent.

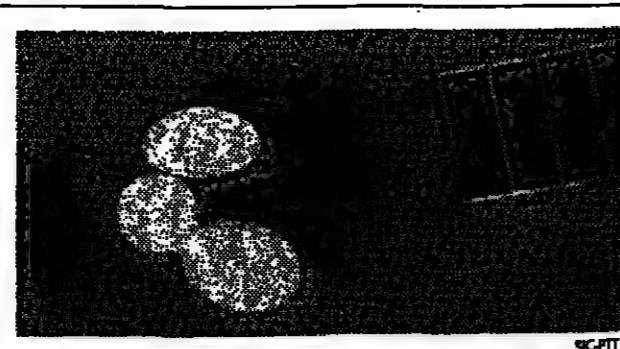
There seems little doubt that there are too many companies seeking prime contracts for satellites, but governments are reluctant to let their national suppliers fail, and they keep some of them afloat with taxpayer-subsidized research and development contracts that lead to the production of experimental satellites with little commercial value.

Even more competitiveness marks the earth-station business. The dish-shaped antennas of satellite earth stations are a far more prosaic product than the enormously complicated and expensive space satellites, but over time the manufacturing of the dishes is going to be a much bigger business. The United States already has more than a million satellite earth stations in use. The value of these is at least \$3 billion, or probably double the value of the 20 American domestic satellites now in service.

The major manufacturers of earth stations have been small to medium-sized companies. In the United States, hundreds of thousands of earth stations are being churned out by entrepreneurs equipped with little more than a few fiberglass molds and largely unautomated electronics assembly lines. This is likely to change as Asian production increases. One of the most formidable future suppliers of earth stations is likely to be China. Japan, Korea and Taiwan also are likely to emerge as significant suppliers.

In the end, the competition to build the hardware of the satellite age is only a preliminary to the real battleground. Satellites exist to transmit information: television, computer data, human voices. To the extent that satellites serve to extend communications options and open up access to high-capacity transmission pathways, the business of filling up the new channels is a game that any number can play.

— JONATHAN MILLER



Detail of a French telecommunications satellite.

Satellite Market Problems

(Continued From Page 9)

due to millions of cable subscribers and hotel rooms across Europe. European publishers, including *The Economist* and *The Financial Times*, are awakening to the possibilities that allow them to simultaneously print newspapers in many locations around the world. The technique is already used by the International Herald Tribune, the Wall Street Journal and USA Today.

The outlook for satellites, despite the difficulties of recent months, is hardly grim. As earth stations become less expensive and new applications are developed, future growth looks assured. But the gloom of the present is palpable. Twenty years after Telstar demonstrated the feasibility of satellite communications, the industry has emerged from its adolescent growth spurt. In its new maturity, the industry is finding that its exotic technology is not immune from misfortune and the rigors of competition.

Standardizing the Integrated Services Networks

By Andrew Waller

LONDON — Like the highway, the telecommunications industry needs rules, but much more complex ones. Without regulations, the instantaneous links we used to send voice, data or pictures across the globe just would not work.

In most countries the business of making the rules about what equipment can be used, how it talks to other parts of the network and what kind of traffic can be sent over it has always been the preserve of the PTTs, the state post, telegraph and telephone monopolies.

So long as they keep a monopoly, PTTs enforce the rules, too. If the user does not comply, they can just unplug his equipment.

The United States has always been the big exception. The Federal Communications Commission sets the regulatory network. Under the Reagan administration, it advocates more strongly than ever that the marketplace must do the regulating.

But the argument for leaving it up to the market is not just ideological; technology moves so swiftly today that an administration bogged down in regulatory activity will be overtaken by events before it has time to weigh the facts and reach a decision.

In the past year, two countries have followed the United States in privatizing their state telecommunications corporations, Britain and Japan. In Britain, a new Office of Telecommunications (Oftel) was set up to see that operators stuck to the free-market rule.

These moves will put pressure on other West European countries to deregulate, as rival telecommunications agencies in Britain — though there are still only two — exploit the new environment to grab a lion's share of the lucrative trans-Atlantic traffic.

The world's PTTs come together under the auspices of the International Telecommunications Union. The task of the union's International Telegraph and Telephone Consultative Committee is to harmonize technical, operational and tariff aspects of communications.

Its work has grown increasingly complex. Where once the only suppliers interested in its

activities were capital-equipment manufacturers, now large parts of the semiconductor industry have joined in.

Theodor Irmer, the director of the committee, fears that unless his group fulfills its role as arbiter of world telecommunications standards, big manufacturers and regional PTT organizations will step in with their own solutions.

The major current effort of the committee is to complete international standards for the world's biggest machine, the integrated services digital network. Beginning with national networks and building up to a global web of communications, it will carry every kind of traffic,

An administration bogged down in regulatory activity will be overtaken by events before it has time to reach a decision.

from ordinary telephone conversations to high-speed data and moving images.

By handling every signal in digital form, it can make much more efficient use of equipment. It does not have to know whether the traffic it handles is voice, data or images, so long as it can be interpreted correctly by the equipment at the receiving end.

For all that to work, all the interfaces, or "gateways," through which the torrent of digital data pours must conform to common standards.

Twelve organizations, only half of them traditional telecommunications operators, have commissioned a study worth more than \$300,000 to establish how each of eight countries draws these distinctions and how they regulate for them.

Robert Bruce, a Washington lawyer and former general counsel of the FCC, is directing the study, which was commissioned through the International Institute of Communications, a London-based independent research body.

His brief is to establish how each country

defines what data-service suppliers may and may not offer, how their services are distinguished from pure telecommunications and what rules are needed for each of them. He is also examining the effect of national regulation, or deregulation, on international business.

The International Telecommunications Satellite Organization (Intelsat), a PTT-based grouping, already faces the threat of competition, following U.S. satellite operators' applications to the FCC to carry international traffic.

Mr. Bruce, addressing a U.S. congressional committee in March pointed out that Intelsat will face competition from fiber-optic cable anyway and that national satellite systems, like the French Telecom-1, were also capable of carrying international traffic.

Technological advances mean that there are many things a PTT can do now that were previously the preserve of private enterprise, and vice versa. In the case of cable television, for instance, in most countries it was not PTTs that provided the cable for local distribution networks for broadcast TV. Today, it often is.

Then there are value-added network services, known as VANS. Traditionally, PTTs provided the means of communication and did nothing else with the information communicated. That was up to the "user."

What happens if one wants to store one's information and forward it later? Is this an added-value service? Britain has decided it is, but no other European country has made up its mind on VANS yet. It is up to the PTTs to decide.

What happens if one has a leased or privately owned channel with spare capacity, so one wants to sell it on to other organizations? PTTs take the line that third-party traffic is illegal.

But how much does one have to add to it to argue that one is providing a different service?

How will any PTT be able to monitor whether hundreds of providers of VANS are really adding value?

Soon, there will be a forest of private satellite dishes. PTTs will not be able to monitor effectively what all their owners are doing with them.

Market

Focusing on the market, this series of reports is developing a new perspective on the high drama of telecommunications as it reaches up to the kilometers the eye can see.

By the time the high-speed signals start to travel, they are already being fought over by the various national and regional telecommunications agencies, who have a lot to do before they can be used effectively.

But the market is not the only place where the drama is played out. The political and economic forces that shape the market are also important factors.

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Programming Diversity a Hallmark Of U.S. Cable Television Systems

By John Wolfe

WASHINGTON — There is clearly a diversity among the companies that operate the more than 6,400 separate cable systems in communities across the United States. On the most advanced systems, viewers can choose from up to 100 channels, consisting of retransmitted local broadcast signals, satellite-delivered cable programming services, locally originated programs and public, educational and governmental stations.

Cable service is currently available to 57 percent of television-equipped U.S. households, according to data from the A.C. Nielsen Co., a research firm that tracks viewing habits. Nielsen figures for the end of February indicated that 38 million American households (44.6 percent of homes with TV sets) subscribed to a cable system. That figure is currently growing by 250,000 new customers per month.

The cable industry's balance sheet also reflects the industry's maturity in the United States. In 1982, cable operators lost an aggregate \$200 million; in 1983, they realized a profit of \$400 million, which doubled to nearly \$800 million last year.

Many industry officials believe that continued deregulation of cable television by the government has helped foster diversity and profitability. Observers are quick to point out that cable in Europe does not benefit from the same laissez-faire approach.

"I think the primary reason for the success of cable in this country is the withdrawal from the regulatory marketplace by the government; that is still a problem in Europe. They are affected by the overregulation of media," said Ed

Dooley, vice president of public affairs for the Washington-based National Cable Television Association, which represents U.S. cable operators.

Other industry observers note that European postal administrations are often hesitant to encourage competition to government-regulated broadcast stations. That philosophy "is stifling cable development" in Europe, according to Tom Wheeler, president of Washington Communications Consultants.

The U.S. government has given cable television many of the rights usually accorded publishers. Late last year, Congress passed the Cable Communications Policy Act of 1984, a compromise among the cable industry and city representatives that was designed to provide a unified federal policy concerning cable television, which had previously been regulated primarily on a local level.

The practical result of the law, however, will likely be to deregulate a sizable portion of cable television. As part of the law, Congress mandated that the Federal Communications Commission determine what constitutes effective competition for cable television.

These systems operating in markets where such competition exists would be permitted to establish their own rates for basic cable service. Systems operating in areas where no effective competition exists would have their rates regulated by city authorities.

The commission, on April 11, ruled that effective competition is cable exists if three broadcast signals are available in a given market. According to its estimates, that decision will deregulate about 80 percent of all cable systems in the

In Europe, Visionary Cable Projects

Contrast With Modest Achievements

PARIS — France's stalled cable project got a boost recently when the mayor of Paris announced his readiness to begin wiring the capital.

After 14 months of negotiations, Mayor Jacques Chirac and the state-run telecommunications authority signed an agreement on April 30 calling for a network hooking up 100,000 Parisian homes in 1986 and 1.2 million by 1992. The network will offer 15 channels for the distribution of television programs and interactive services, such as home banking.

The negotiations between the conservative mayor and the Socialist government were long and arduous. "We thought it should have gone faster," acknowledged Bertrand Schreiner, president of Mission Cable, the government delegation overseeing France's ambitious plan, "but there were certain constraints."

The difficulties and continuing uncertainties confronting the French project exemplify the problems faced by other European countries that are developing cable networks.

France's project, adopted Nov. 3, 1982, is a cornerstone of President François Mitterrand's effort to shore up the country's troubled electronics industry and launch a new era of communications. Britain and West Germany also began major projects in 1982.

Using sophisticated optical-fiber technology, the governments plan

to do more than just pipe television and radio into homes. Optical-fiber cable is made of hair-thin strands of glass that can transmit massive volumes of information as pulses of light. Services such as home banking, teleshopping and electronic publishing will be possible by linking home computers with distant corporate computers via the new cabling.

But, for the moment, the picture looks rather bleak for European cable plans. Only modest projects have succeeded so far, while more ambitious plans continue to fumble.

"Everyone set off with a vision of a fabulous evolution," said Laurent Blin, consultant at the Paris bureau of International Data Corp. The number of potential clients for electronic home services was overestimated, while financing costs were underestimated, he said.

"Home information systems are not booming," said Hanns Schwann, Paris-based vice-president at Booz Allen and Hamilton, a U.S. management consultancy.

In fact, the countries with the most homes hooked up to cable started their networks 10 to 15 years ago. They sought simply to distribute television and radio programs over copper wire and have not changed strategies since.

For example, about 80 percent of homes in Belgium and Luxembourg and 52 percent in the Netherlands receive cable TV, according to CIT Research Limited in London. Modest ambitions are the key,

to their success, experts say. They use inexpensive copper wiring and have no qualms about transmitting foreign programs.

"Holland and Belgium had no technical or cultural ambitions," explained Mr. Blin.

On the other hand, France, West Germany and Britain chose advanced technical solutions that, while offering great possibilities for new applications, also pose a number of problems. Cable penetration in those countries is still less than 10 percent.

By using optical fiber instead of traditional copper wire, the costs of their plans were significantly raised. The French government will spend 6 to 12 billion francs just wiring Paris, according to initial estimates. Mr. Chirac forced the government to pick up most of the tab before committing Paris to the cable project.

Officials justify the high costs by citing the added services that will be available to clients. They see optical-fiber cable as the necessary infrastructure for the modern information-based society. And European postal and telecommunications authorities, the PTTs, hope to capitalize on the increased use of telecommunications services that they expect on the networks.

However, many cable experts doubt that a significant demand exists for interactive home information services.

"If you anticipate demands about which no one is quite sure,



France's card-operated public telephone.

Avoiding the Half-Second Trip to Outer Space

By Tim Smart

BOSTON — Satellite technology, the primary means by which telephone calls are routed over long distances, is slowly becoming outdated in a world where instantaneous communication is a minimum requirement and a premium is placed

on the rapid delivery of both speech and data. In its place will be a world linked by hair-thin fibers made of glass.

"You can go anywhere with a satellite, unlike a microwave, which only goes where towers can go," said Robert Lucky, head of basic research at AT&T's Bell Labs division.

"But the big disadvantage is the half-second delay with the trip."

Because it takes a quarter-second in each direction from earth to outer space at the speed of light, there is a noticeable delay in conversations that take place on telephones linked by satellite. The caller dialing New York from Geneva, for instance, will notice a delay between the time he speaks and the person at the other end of the line hears and responds.

By 1988, though, that could all change. AT&T is currently laying fiber-optic cable underneath the Atlantic Ocean to link the United States with France and Britain. It is the first transoceanic hookup using the glass fibers, which is rapidly becoming the preferred long-distance transmission link in the United States. Fiber provides nearly

unlimited capacity to carry both speech and data traffic great distances with little or no distortion. Over long distances, fiber has proven to be economically viable, although its practical application in short-haul situations remains to be seen.

The use of fiber is becoming increasingly important as international telecommunications equipment manufacturers move into a world dominated by data rather than words alone.

Growth in data traffic is four times that of speech as business finds more and more ways to communicate electronically. But data needs are not the whole story.

Technology has moved toward a world dominated by the digit, either a zero or one, that represents the binary system language of the modern-day computer. Where once computer talk was changed into words, speech is now being made to sound like computerized "bits" of information. "If people want to talk to each other in the future, we'll have to make them sound like computers," said Mr. Lucky.

Digital systems have taken over in interface communications networks and in the transmission of both data and voice at the central switching offices of the major international telephone companies. But it has yet to replace the conventional analog technology between central switching stations and the individual telephone handset.

You risk having a flop," Mr. Blin said.

"Everything depends on what subscribers want to pay," said Frank Aerts, a sales representative at Integen, a private cable operating company in Antwerp, Belgium. More than 90 percent of the homes in the Antwerp region are cabled, perhaps the highest density of cable penetration in Europe. Begun 14 years ago, the Antwerp cable network offers 16 channels of television and radio programs, transmitted over copper wire.

"We don't know if our subscribers are willing to pay more money," said Mr. Aerts. "I don't think they are."

To complicate matters further, many countries, including France,

West Germany and Sweden, are fearful about being inundated with foreign programming and advertising. Several would like to restrict foreign programs or advertising or both. But experts warn that such measures would limit the quality, and consequently the success, of pay-TV.

"One must argue against political obstacles...that worry about foreign programs and advertising," said Helmut Bauer, head of the legal department at the Ludwigshafen Cable Authority in West Germany.

Governments may have enough trouble finding programs to fill Europe's new channels without introducing protectionist barriers.

— AMIEL KORNEL

Use of Satellites for Data Delivery Overtaking Global Telephone Links

WASHINGTON — Maritime Data Network Ltd., a shipping information company, must overcome a unique logistical hurdle in its day-to-day business operations — part of its installed customer base is floating around in the middle of the ocean, according to Maritime's president, Larry Pfister.

Mr. Terragno said, Pergamon will transfer to satellite delivery during the next few years.

"Satellites are more reliable," he said. Currently, Pergamon uses satellites to transmit data overseas from its central computers in London, North America and Europe.

Pergamon's primary markets, although the company is beginning to market its service in Japan, he

and of companies that use satellite distribution exclusively. Equatorial provides point-to-multipoint broadcast distribution to earth stations linked to data terminals. It sells its distribution network to information providers, which then market the service to individual subscribers.

"We can provide our service at a dramatically lower cost than by using telephone lines," said Equatorial's president, Ed Parker, who explained that his clients could save from 30 percent to 50 percent by using satellite distribution. Equatorial uses satellites to transmit continuously updated information to on-site personal computers. End users then store and retrieve the data locally, Mr. Parker said.

A host of other innovative services is also being developed for satellite distribution. Merrill Lynch and IBM have formed International MarkeNet, a joint venture that will use portions of the public broadcasting spectrum in the United States to deliver stock-market data to personal computers. Television stations in the United States and Europe use satellites to deliver one-way teletext services. And Digital Equipment Corp. uses satellites to distribute its private videotex service to clients in Europe and the Far East.

— JOHN WOLFE

Conference Seeks to Define North-South Space Sharing

LONDON — A World Administra-

tive Radio Conference is usually such a technical affair that few besides the specialists are even aware it is taking place. But this year's is different, for North and South will compete for a fair share of space — and they do not agree on what constitutes a fair share.

In the jargon of the International Telecommunications Union (ITU), which is organizing the Geneva conference in August, the purpose of the talks is to agree on equitable access to the geostationary satellite orbit (GSO) and the frequency bands allocated to space services that use it.

In addition to data delivery, the high capacity of satellites enables Maradata to transmit computer programs directly from Maradata headquarters to shipboard computers. Maradata currently has "several hundred" corporate clients who pay from \$500 to \$4,000 per year, depending on which data bases are chosen and the number of sites that can receive the data.

As with most companies using satellite delivery, Maradata has not completely forsaken the use of telephone lines. "We do use land lines within a continent," Mr. Pfister noted. "For example, all of our subscribers in the United States get our service through a local telephone line," using the General Electric Information Services Corp. data transport network.

Pergamon Infoline is another information company that is gradually shifting from telephone to satellite delivery. "Pergamon, which provides access to 35 data bases housed in a computer in London, is the U.S. subsidiary of the Pergamon-BPAA-Mirror Corp., an international information and publishing company based in Britain. Pergamon specializes in scientific data and patent information but it plans to add several business data bases to its service, according to Pergamon's president, James Terpstra.

Most of Pergamon's traffic is currently over leased telephone lines (through networks such as Tymnet and Telenet), although

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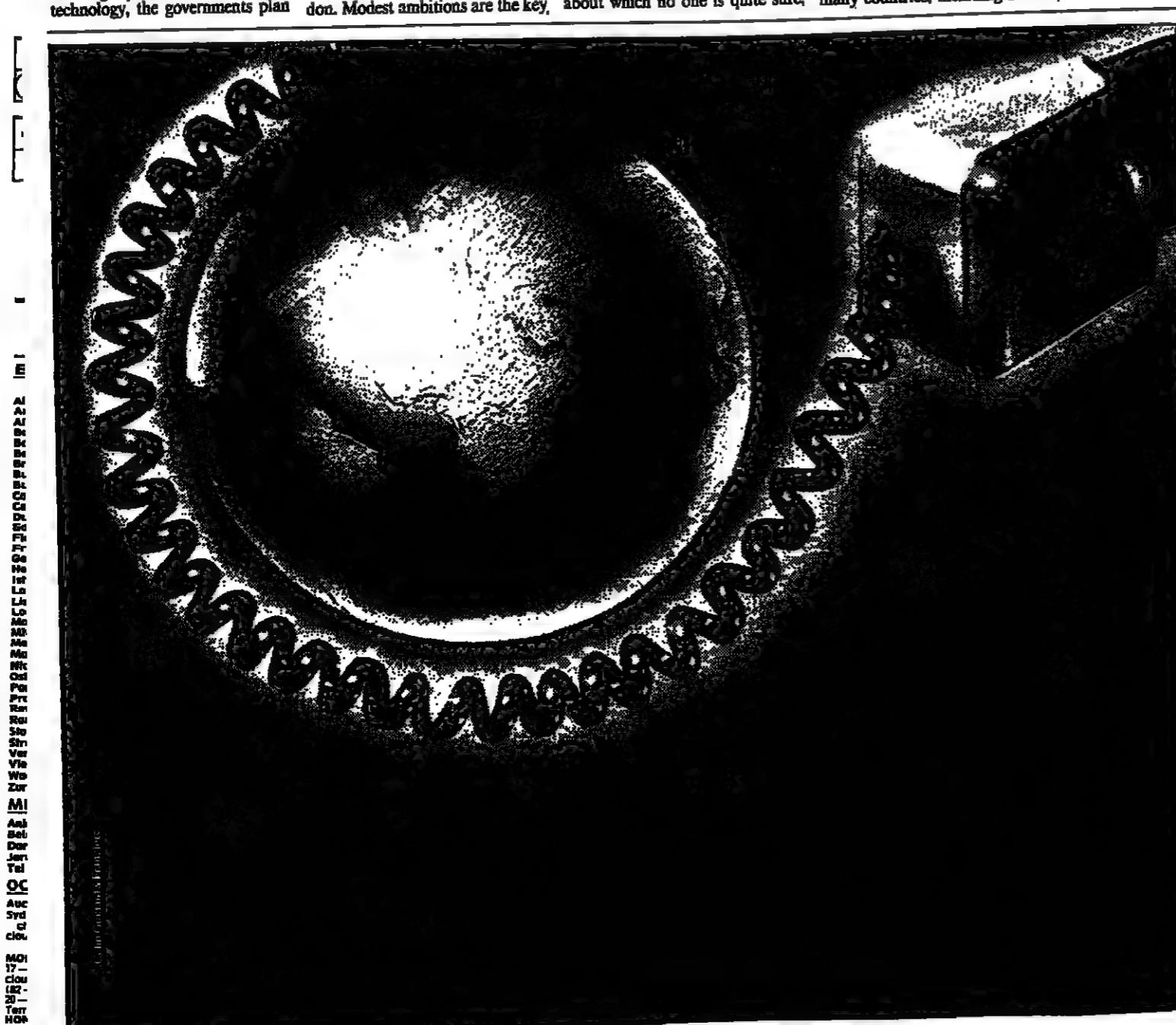
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FUTURES AND OPTIONS

New Eurodollar Options Will Be Settled in Cash

By H.J. MAIDENBERG
New York Times Service

NEW YORK — Another dimension has just been added to the booming Eurodollar market by the Philadelphia Board of Trade, a new unit of the Philadelphia Stock Exchange, which began trading its version of Eurodollar options. Unlike the Eurodollar options traded on the Chicago Mercantile Exchange, the Philadelphia contracts that came into being last Friday will be settled in cash, rather than through the delivery of a corresponding futures contract.

Perhaps more important, the new options are fashioned after those traded in Europe; that is, they cannot be exercised before the contract's expiration date. As Nicolas A. Giordano, president of the parent exchange, explained: "We chose a European-style Eurodollar option because 60 percent of our volume in foreign exchange options comes from overseas hedgers and traders. Given the huge amounts of Eurodollars now being traded overseas, we expect a similar large percentage of our options business to originate there as well."

While, technically speaking, Eurodollars are dollars held by foreigners, they are basically bookkeeping transactions between lenders and borrowers all over the world. Thus few, if any, of these funds, which are estimated to total at least \$2 trillion, ever actually change hands.

ESSENTIALLY, there are three kinds of Eurodollars. One is a form of "call money" that has no fixed maturity or which the lender can withdraw on one day's notice. Another consists of negotiable certificates of deposit that are issued in better form, normally in units with a face value of \$1 million.

"What we are trading are options on the third form, \$1 million 90-day time deposits placed in the Eurodollar market by leaders around the globe," said Arnold F. Staloff, president of the Philadelphia Board of Trade.

Despite the huge amounts involved, the buyer of these Eurodollar options will still only pay a relatively small premium for the right, without any obligation, to buy or sell the value represented by the option at a fixed price for a specified period of time.

Because no Eurodollars actually change hands, the options that are exercised are settled in cash, with the buyer holding a profit or loss contract getting the difference between the agreed "strike price" at the time of purchase and its value at expiration.

The Philadelphia options add a new dimension not only to the enormous global cash market in Eurodollars, but also to the Chicago Eurodollar futures and options markets," said John M. Blin, director of financial and foreign currency options operations at Lasser Marshall Inc., a unit of Mercantile House Group of London, the leading international broker in foreign exchange and Eurodollars.

Mr. Blin, when he was a professor of economics at Northwestern University, in Evanston, Illinois, designed Chicago's Eurodollar bonds in financial futures contract, which is now second only to Treasury bonds in financial futures trading volume.

"The expansion of the various exchange-traded Eurodollar instruments will also help the far much larger and rapidly expanding upstairs market in these funds," Mr. Blin added. "As the upstairs cash market grows, the banks and other big institutions will need to lay off increasing amounts of risk they are assuming each day. The Eurodollar futures and options can help in this respect."

By "upstairs," Mr. Blin was referring to the huge amounts of Eurodollars that are lent, borrowed and traded each day in financial centers around the world. These transactions are for cash, with the funds exchanged electronically among the trading institutions.

What is actually being traded in the upstairs cash Eurodollar

(Continued on Page 19, Col. 4)

Currency Rates

Latest interbank rates on May 13, excluding fees.
Official fixings for Amsterdam, Brussels, Frankfurt, Milan, Paris, New York rates of 2 P.M.

	S	D	D.M.	F.F.	H.L.	Gdr.	S.F.	Yen
Amsterdam	3.6025	4.5355	122.925	37.005	5.01	134.13	128.40	120.40
Brussels (e)	3.6225	4.5525	20.725	45.995	3.3225	77.025	20.925	34.72
Frankfurt	3.6045	4.5255	—	32.78	5.02	136.55	118.70	128.00
London	3.1254	3.8845	12.855	12.855	3.4255	77.005	32.005	12.85
Milan	1.6940	2.4205	10.454	10.454	1.6940	10.454	10.454	10.454
Paris (e)	3.6045	4.5255	12.855	12.855	3.4255	77.005	32.005	12.85
Paris	3.6045	4.5255	12.855	12.855	3.4255	77.005	32.005	12.85
Tokyo	251.55	314.57	81.65	36.75	12.81	72.25	15.67	2.62
Tokyo	251.55	314.57	81.65	36.75	12.81	72.25	15.67	2.62
Zurich	2.9915	3.2515	84.87	27.54	1.7425	47.783	9.95	1.2297
1 ECU	0.7265	0.8967	2.2205	4.6255	2.2205	4.6255	1.8461	1.6283
1 SDR	0.947185	1.0795	3.6174	1.0740	3.6174	1.0740	2.0585	2.4054

Dollar Values

Per Euro, Currency Per S. Per D. Per D.M. Per F.F. Per H.L. Per Gdr. Per S.F. Per Yen

1 Euro = 1.3255; 1 S.D.R. = 1.0795; 1 D.M. = 1.0740; 1 F.F. = 1.0740; 1 H.L. = 1.0740; 1 Gdr. = 1.0740; 1 S.F. = 1.0740; 1 Yen = 1.0740

(a) Commercial firms (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (v) Units of 10,000 (w) Not quoted; N.A.: not available

Sources: Banque de Belgique (Brussels); Banque Commerciale d'Anvers (Milan); Banque de France (Paris); Banca Nazionale del Lavoro (Milan); Bank of Canada (Ottawa); Banque du Québec (Montreal); Banque d'Investissement (Paris); Banque d'Algérie (Algiers). Other data from Reuters and AF

Interest Rates

Eurocurrency Deposits

May 13

	1 mos.	2 mos.	3 mos.	6 mos.	1 year
	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	9 1/2 - 10%
1M	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	9 1/2 - 10%
2M	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	9 1/2 - 10%
3M	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	9 1/2 - 10%
6M	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	9 1/2 - 10%
1Y	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	9 1/2 - 10%

Interest applicable to Eurocurrency deposits of \$1 million minimum (for equivalent).

Sources: Morgan Guaranty (London), DM, SF, Pound, FF, Lloyds Bank (ECU); Reuters (SDR).

May 13

Asian Dollar Rates

May 13

	1 mos.	2 mos.	3 mos.	6 mos.	1 year
	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	9 1/2 - 10%
1M	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	9 1/2 - 10%
2M	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	9 1/2 - 10%
3M	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	9 1/2 - 10%
6M	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	9 1/2 - 10%
1Y	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	8 1/2 - 9%	9 1/2 - 10%

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May 13

Key Money Rates

May 13

United States

May 13

United Kingdom

May 13

Japan

May 13

Germany

May 13

France

May 13

Other Countries

May 13

Gold Prices

May 13

Rudolf Wolff

May 13

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BUSINESS/FINANCE

Overseer Is Named For Thrift

Talks Don't Stop Run in Maryland

United Press International

BALTIMORE — A judge named a conservator on Monday to take over Maryland's second-largest savings and loan association after lengthy negotiations failed to stem a run on deposits.

The recent announcement by Mobil Corp. that it would jettison its troubled retailing unit, Montgomery Ward, by transferring ownership directly to its stockholders, made Mobil one of the latest of the giant oil companies to embark on a significant rearrangement of its assets.

Although the responses have varied, they all represent efforts by an industry hobbled by too much oil, too much refining capacity, too many people and too little current promise in its basic business — the search for oil. As far-reaching as the restructuring moves appear to be, experts say there will be more.

The downturn in prices that began in 1983 looks like the beginning of a decade-long process," said Thomas A. Petrie, a managing director and senior oil analyst with First Boston Corp., in Denver.

"That leaves managers to conclude that there are profound differences in the way they should run their business."

Many in the industry point to T. Boone Pickens, chairman of Mesa Petroleum Co., as the ubiquitous agent behind the changes that are jarring the industry. He battled Gulf,

An Industry Awash: Oil Producers Aren't Yet in the Clear, Experts

BUSINESS ROUNDUP

Asuag Has Turnaround To \$10.2-Million Profit

Reuters

BIENNE, Switzerland — Switzerland's largest watch group said Monday that it is back in profit less than two years after its banks saved the company from bankruptcy in the most expensive industrial bailout in Swiss history.

Asuag Société Générale de l'Horlogerie Suisse SA, the makers of Omega, Longines and Rado and the fashionable plastic "Swatch," reported 1984 group net profit of 26.5 million Swiss francs (\$10.2 million).

In 1983, Asuag had a loss of 173 million Swiss francs, and in 1982, a loss of 340 million Swiss francs.

Sales rose only 8 percent to 1.58 billion Swiss francs from 1.45 billion Swiss francs in 1983, despite almost doubled sales of the low-priced Swatch.

Heron Bid Approach Bolsters Burmah Oil's Share Price

Reuters

LONDON — The price of shares in Britain's Burmah Oil PLC, one of the world's oldest oil companies, jumped more than 10 percent in value Monday after it was confirmed that Heron Corp., a privately owned property, gasoline station and insurance group, had made a takeover approach.

Burmah shares hit a 1985 high of \$2.93 (\$3.66) on the London Stock Exchange, up from \$2.58 at Friday's close, before easing back to \$2.86 on profit-taking.

In a statement Sunday, Burmah, confirmed reports that Heron, a British concern, had sought agreement in principle to a takeover bid at a meeting on April 30.

COMPANY NOTES

Casio Computer Co.'s plants in China are expected to double their combined output to 10 million calculators in the year ending March 1986. There are 52 plants in China owned by regional governments that produce calculators under license from Casio.

Degussa AG is forming a joint-venture company in South Korea with the Seoul-based Oriental Chemical Industry Co. to produce catalytic converters. A new plant will have the capacity to produce one million converters a year, with production to begin in spring 1987. The converters will be sold on the South Korean market and exported.

Globo Holdings PLC has formed a joint-venture company with Tanabe Seiyaku Co. to direct the development and marketing of Tanabe's cephalosporin antibiotic outside Japan. The drug, TA 5901, will be launched through the world net-

work of Glaxo companies and by Tanabe in certain countries.

GTE Corp. said its third communications satellite was placed in orbit 22,300 miles above the equator on Saturday by the Ariane 3 launch vehicle.

Mobil Oil Corp. said subsidiaries of its Superior Oil Co. have reached agreement with British Gas Corp. to sell their shares of gas from the Thames fields in the southern British sector of the North Sea. The Superior units' combined total of recoverable reserves from the three Thames fields is estimated at about 117 billion cubic feet.

Prime Computer Inc. has entered into an agreement with Eastman Kodak Co. that calls for Kodak to market Prime's 250 mini-computer as part of Kodak's Kar-8800 information management system.

Republic Health Corp. is negotiating for McDonnell Douglas Corp. to acquire a 20-percent vol-

ing interest. The company said McDonnell would acquire preferred stock from Republic and exercise options it has obtained from Republic shareholders to acquire about 1.7 million common shares.

Shawmut Construction Co. was awarded a contract for \$39-million Hong Kong dollars (\$50 million) for work on the second stage of a three-stage program to renovate the Queen Mary Hospital. The overall project is valued at \$64 million dollars. The second stage includes construction of two buildings.

Wormald International Ltd. of Australia has received legal advice that a formal partial bid from Adelaide Steamship Co. contravenes the New South Wales takeover code. Wormald previously rejected as inadequate Adelaide's offer of 3.55 Australian dollars (\$2.45) a share aimed at lifting its stake to 44 percent of Wormald's.

Cigarette Firms Seek Sales in Japan

(Continued from Page 13)
form the mainstay of Japan's ruling party.

"These are just the first steps to liberalization of the tobacco market," Mr. Actwoct said. "They are a far cry from a free market, for the simple reason that we strongly believe if you have a monopoly on manufacturing, you should not need an import duty to protect your products."

But Japan Tobacco has problems of its own, ones that may give foreign makers competitive advantages. Japanese tobacco costs about twice as much as foreign tobacco, said Misao Futagami, a spokesman for the company, and Japan Tobacco is obliged by law to buy all the tobacco that farmers produce every year.

Because sales have slowed, however, some of this tobacco is not used, Mr. Futagami said. Until the fiscal year 1975, which ended March 31, 1976, Mr. Futagami said, the company's sales rose by

about 4.5 percent a year. In fiscal 1975, cigarette prices were raised 4 percent, and since then, annual tobacco sales have increased by less than 1 percent. Last year, the company's sales were \$1.12 billion; net income is still being calculated, Mr. Futagami said.

Many foreign makers maintain that their tobacco is superior in taste and quality to Japanese tobacco. Ken Fukukawa, director of a joint venture between R.J. Reynolds and Mitsubishi Corp. to market Reynolds cigarettes in Japan, said that one reason Japanese cigarettes use charcoal filters is to compensate for the harsher taste of Japanese tobacco.

This difference can also work against foreign brands, however, because the Japanese have grown used to the taste of domestic cigarettes.

Foreign makers are going slowly in their efforts to expand market share. Both Reynolds and Philip Morris have chosen to continue

distributing their cigarettes through a subsidiary of Japan Tobacco because the unit has the best relationships with the tiny tobacco stands that are Japan's main cigarette outlets.

In Japan, retailers have been accustomed to dealing with the government for all their marketing needs," Mr. Actwoct said.

Philip Morris will try to increase its sales through more advertising and test-marketing, Mr. Actwoct said. The Reynolds-Mitsubishi venture will take a different tack. Because the market is limited, Mr. Fukukawa said, the company will target its advertisements to young smokers. The company will also continue to sell only menthol cigarettes, a market Mr. Fukukawa believes will expand, although now less than 1 percent of Japan's smokers buy menthol.

To succeed, he said, foreign makers must act like "guerrilla fighters" — fighting quietly, patiently, to achieve their goals.

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February, 1985

U.S. Navy, IBM Dispute Progress on Submarine Contract

New York Times Service

NEW YORK — The U.S. Navy and International Business Machines Corp. are locked in a dispute over IBM's performance on a \$1.7-billion contract to build an advanced computer system for submarines.

IBM insists that work on the project is on schedule and meets the Pentagon's technical specifications and that it will run less than \$100 million over budget. The navy contends that the work is behind schedule and falls short of specifications and that it could run as much as \$800 million over budget.

Last week, navy officials said that future phases of the contract, which seemed assured for IBM, would be reopened for bidding.

At issue is IBM's role as prime contractor for the Submarine Advanced Combat System, or Subacs.

The system is intended to greatly improve the sonar, navigation and weapons control operations of about 20 Los Angeles-class submarines now used by the navy.

A follow-on system, with further improvements, is expected to become the core of the navy's forthcoming fleet of SSN-21 submarines, the next generation of ships that will be launched beginning in the 1990s.

IBM said its executives were called to discuss the project.

"The navy believes it is inappropriate for us to talk," said Norm Koestline, a spokesman for IBM's Federal Systems division, which handles government contracts. The navy's concern, he said, was that the blue-ribbon panel was still investigating and that Congress was taking testimony on the future of the SSN-21 program, including the computer system.

In

public testimony last month, Everett Pyatt, assistant secretary of the navy for shipbuilding and logistics, said the navy was dissatisfied with IBM's progress on the contract, which was awarded in December 1983.

The navy, citing security concerns, has yet to describe publicly what has gone wrong. But navy sources maintain that the system neither has sufficient memory nor combines all of the ship's critical computer functions in a "distributed" system, a network of independent processors and disk drives.

"Part of the problem may be that our expectations were too high," one navy official said. "But these days, \$800-million cost overruns don't look good."

IBM denied all the major points of the navy's charges. The \$800-million figure is a projected cost overrun for all of the SSN-21 program, not just the computer system, IBM contends. Navy officials, when asked about the IBM response, repeated their assertions that it applies only to the computer portion.

Moreover, IBM insists that the project is proceeding satisfactorily.

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CAP GEMINI SOGETI

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The shareholders of CAP GEMINI SOGETI S.A., in an Extraordinary General Meeting held on April 4th, 1985, approved the proposal made by the Board of Directors of a public offering of ordinary shares on the Second Marché of the Paris Stock Exchange. The offering will take place in June and 10 % of the share capital will be made available to the public.

Lazard Frères will act as lead manager, with Crédit Lyonnais, Indosuez and Société Lyonnaise de Banque as co-managers.

The Extraordinary General Meeting also approved the 1984 financial statements of the CAP GEMINI SOGETI group as audited by Coopers and Lybrand. CAP GEMINI SOGETI's consolidated sales reached 1.8 billion French Francs (a 28.4 % increase over the previous year) of which 43 % originated in France, 30 % in eight other European countries and 27 % in the United States.

The net profit after tax reached 95.8 million French Francs (a 32.5 % increase over 1983), which represents 5.3 % of sales, versus 5.1 % in the previous year.

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Japan's Trade Surplus With U.S. Widens

United Press International

TOKYO — Soaring auto exports boosted Japan's trade surplus with the United States to a provisional record \$3.46 billion last month, up from the previous monthly high of \$3.31 billion, Finance Ministry officials said Monday.

Preliminary customs figures showed exports to the United States rose 12.4 percent over April 1984 to a record \$5.78 billion, the officials said. The gain was largely the result of a record \$2.09 billion in auto exports.

Passenger car exports to the United States rose 20.5 percent over the April 1984 level, they said. April marked the start of the 1985 fiscal year, in which a voluntary Japan-U.S. auto export ceiling was raised from an annual rate of 1.85 million cars to 2.3 million.

Imports from the United States during the same

period, buoyed by aircraft and machine tool sales, rose 9.1 percent to \$2.32 billion, but agricultural imports were slow, the officials said.

Japan's overall international trade surplus for April was \$3.26 billion, short of the record \$4.63 billion set in December 1984, they said. Overall exports rose 2.9 percent to \$14.86 billion while imports rose 2.3 percent to \$11.6 billion.

Exports to China soared 105.2 percent from the 1984 level to \$1.09 billion, while imports rose 26 percent to \$634 million, the officials said.

But trade with the European Community declined. Exports fell 10.7 percent to \$1.47 billion and imports fell 4.2 percent to \$706 million, they said.

Japan's surpluses with China and the EC were \$451 million and \$760 million, respectively, in April.

Japan Introduces Bank Guidelines

Reuters

TOKYO — The Japanese Finance Ministry said Monday that it had introduced a series of new guidelines on overseas operations by Japanese banks, including a risk-asset ratio system in their off-balance-sheet transactions.

It said that each Japanese bank's total claims for nonresidents should not exceed 14 times — compared with 15 times now — its capital account, which is equivalent to the total of stockholders' equity, reserves for possible loan losses and two other types of special re-

The off-balance-sheet items include note-issuance facilities and revolving underwriting facilities. Officials said Japan must decide on detailed weighing of those and other items before the risk-asset ratio system is adopted sometime next year.

(Continued from Page 13)

are still rising, have demonstrated the industry's woeful underestimation of oil's price elasticity — how much consumers could and would cut back in the face of higher prices.

In 1973, the year of the Arab oil embargo, the United States consumed 60,000 British thermal units of energy for every dollar of gross national product. Last year, with a barrel of Saudi Light crude oil averaging \$28, compared with an average of \$3.89 a barrel in 1973, the figure had fallen to 42,000 BTUs per dollar of GNP. A BTU is the amount of heat needed to increase the temperature of a pound of water by one degree Fahrenheit.

World oil prices have been surprisingly steady this spring, largely because of production cutbacks in Saudi Arabia. Still, many analysts predict that prices will fall by another few dollars if the Saudis increase their output, as expected, to between 4 million and 5 million barrels a day from 3.8 million barrels in the first quarter.

Exxon has taken a different route to raise its stock price. The largest U.S. oil company has already spent \$4.3 billion to buy back 11.8 percent, or 102 million, of its shares, in the last 18 months. It earlier wrote off \$30 million from its investment in office automation, but kept its debt as a percent of total capital at a low 17 percent, at the end of 1984.

Amoco, formerly Standard Oil Co. (Indiana), spent \$1.7 billion from last May through April 23 to buy back 27.4 million shares. The program will end when it reaches 30 million shares, or 10 percent of the company's total. Amoco also has sold ownership of its struggling mineral business to its shareholders, and it has cut 3,300 jobs and sold parts of its chemical business and its Australian operations.

Still, unlike Atlantic Richfield and others cutting back on exploration, Amoco is plumping ahead. Its budget for capital spending is up 15 percent this year, to \$5.1 billion.

Meanwhile, Chevron, which acquired Gulf Oil for \$13.2 billion a year ago, and Texaco, which bought Getty Oil for \$10.1 billion, are awash in the debt used to finance the purchases. Both have struggled to cut costs. Their stockholders have seen little appreciation in stock values in the year since the takeovers, which raised their domestic oil reserves but duplicated many administrative functions.

Atlantic Richfield, which has large Alaskan oil reserves, raised its annual dividend by \$1, to \$4, and inaugurated a plan to borrow heavily to raise the \$4 billion it needs to buy back shares. Its debt as a percent of total capital would rise to 63.5 percent by the end of the year, from 32.5 percent at the end of 1984, if the buyback is com-

pleted this year and the company does not pay off other debts.

Exxon also said it would abandon the money-losing gasoline refining and marketing business east of the Mississippi River. The pride of companies such as Texaco, Exxon and Arco, became wasteful in part because of big inventories needed to supply the networks.

"Arco looks very, very smart, and the stock market is saying that," said Mr. Freeman of Salomon Brothers. Arco's shares have jumped about \$10 since the restructuring announcement on April 29.

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Today, he continued, banks and corporations around the world lend, borrow and trade these funds. "Aside from today's more than ample supply of these funds, the unregulated transactions do not show up on balance sheets for a number of technical reasons, which is most convenient for many banks and corporations," he added.

New Options In Eurobonds Paid in Cash

(Continued from Page 13)

markets is the cost of money expressed in interest rates. At last Friday's close in New York, for example, call Eurobonds were trading at a hair below 8 percent on an annual basis, while one-year certificates of deposit brought roughly 8.75 percent.

Until the explosion of oil prices in 1973 caused dollar deposits on the books of domestic and overseas money markets to burgeon, most of these funds were largely dollars floating outside the United States. Oddly, the Eurodollar market was inadvertently created by the Soviet Union during the post-World War II deterioration in relations between Washington and Moscow.

"Fearing that their funds might be frozen by our government, as was later the case with Iranian funds after the hostage crisis, Moscow asked London bankers to hold their dollars in special accounts," Mr. Blin said. "Because the Middle East exporters traditionally deposited their funds with London and other European banks, their post-1973 inflow of dollars swelled these funds."

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ART BUCHWALD

The Pentagon's TSF

WASHINGTON — In last week's Senate budget vote, the Defense Department wound up with a zero growth figure for 1986, which was quite a comedown from the 9-percent increase Secretary Weinberger had originally asked for. It came as no surprise, though, to Harold Simon, who keeps track of Pentagon spending.

"The secretary has nobody to blame but his toilet seats," Harold said.

I seemed puzzled, so he continued. "Weinberger lost the battle for more funds the day the story broke that the Defense Department was paying \$600 a seat. I call it the Toilet Seat Factor, or TSF."

"For several years Charley Taxpayer bought the Buckwald whole Pentagon Disneyland package MX missiles and all. Charley assumed our defense brass were handling his money as they would their own. The poor guy had no idea how much to pay for an F-16 fighter, M-1 tank or Trident submarine, so he gave his proxy to Weinberger and his merry band of men. When you start talking millions and billions of dollars you are no longer talking Charley's language."

"But then came the revelations about the \$600 Lockheed commode cover and suddenly Charley said, 'Hey, wait a minute. What kind of a dummy do you think I am? I may not know the price of a B-1 bomber but I sure as hell know what a toilet seat costs, and it ain't \$600 — no way.'

"For the want of a reasonably priced seat, the battle for the big toys was lost. Weinberger's voice has been heard in the land. The memory of the commode cover is still too fresh in everyone's mind. The Defense Department has to clean up its act before Charley will give it a blank check again."

"How can Weinberger learn from all this?"

"The lesson is, if you want to avoid the Toilet Seat Factor in the Pentagon, don't ever overcharge the man in the street for something he can price in a hardware store."

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